

IMPORT TRADE CONTROL ENQUIRY COMMITTEE IN INDIA



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CHAPTER I

INTRODUCTORY

The Import Control Enquiry Committee was constituted by a Resolution of the Government of India in the Ministry of Commerce No.1(26)-Reference, I.T.C./50, dated the 3rd July 1950. The text of the Resolution is reproduced at Appendix 'A'. The operative parts of it were as follows:

"The Government of India consider that as Import Control will in all likelihood have to be continued for some time, the stage has now reached for a review of the import control policy in general and of the working of the Import Control Organisation in particular and to devise measures to place the Organisation on a sound basis. With this end in view they have decided to constitute a Committee with the following general terms of reference:

- (1) To enquire into the working of Import Control with reference to:-
 - (a) the procedure followed in the fixation of import quotas for individual commodities;
 - (b) the procedure and methods followed in dealing with applications for import licences;
 - (c) the organisation of the existing machinery for import control;
 - (d) any other matter incidental to the working of the import control organisation; and
- (2) to make recommendations on the above subjects with a view to improving the efficiency of the Import Control Organisation in such a way that applications for licences may be promptly dealt with and disposed of and the complaints against its present working may be removed.

The Committee will consist of -

Chairman:

Shri G. L. Mehta Member, Planning Commission.

Members:

Shri Tulsidas Kilachand, President, Federation of Indian Chambers of Commerce & Industry.

Shri D. L. Mazumdar, I.C.S.

Shri D. L. Mazumdar will also act as Secretary of the Committee."

Shri Tulsidas Kilachand could not, however, join the Committee till his return from abroad in the third week of August.

2. The Secretariat of the Committee was set up immediately after its constitution followed in the Enquiry. Procedure was announced and preliminary studies were taken in hand after consultation with the Ministry of Commerce and the Chief Controller of Imports. In order to expedite the work of the Committee it was decided not to issue any questionnaire on conventional lines. Instead, a general invitation was extended to the commercial and industrial community through the Federation of Indian Chambers of Commerce & Industry, the Associated Chambers of Commerce of India, the All-India Manufacturers' Organisation, the Employers' Federation of India and the All-India Organisation of Industrial Employers to express their views on the terms of reference of the Committee at an early date. Later, in order to facilitate the submission of views by the constituents of these bodies, a detailed broadsheet indicating the principal stages in the formulation of import control policy and its administration with suitable explanatory notes was circulated to all concerned. A separate column was provided in the broadsheet for any suggestions regarding changes in policy, procedure or method that the addressees might consider desirable. It was hoped that the representatives of trade and industry

would find it convenient to express their views on the issues raised in the Committee's terms of reference if their attention was focussed on the points of policy and administration in import control that *prima facie* required scrutiny. Copies of the letters addressed to the Federations, etc. and the broadsheet are reproduced at Appendices 'B' and 'C' respectively.

3. While the views of the commercial and industrial community were being awaited, the Secretariat was kept busy with study and analysis of many aspects of the problem which required detailed examination. At the same time the Chairman of the Committee, Shri G. L. Mehta, and the Member-Secretary, Shri D. L. Mazumdar, carried on a series of informal discussions with representatives of the Ministries of Commerce, Industry and Supply and Finance. They also visited the office of the Chief Controller of Imports and held discussions with him on several specific problems of licensing policy and administration.

4. By the beginning of August, notes and memoranda began to come in from individuals and trade associations. These were analysed and tabulated as they were received. The volume of work entailed on this account can be gauged from the fact that notes and memoranda were received from as many as 130 Chambers of Commerce and Trade Associations, 143 firms and business houses and numerous individuals.

5. On the return of Shri Tulsidas Kilachand from Tours. abroad, the Committee was ready to undertake a tour of the port towns and to examine representatives of Chambers of Commerce and other selected associations which had responded to the Committee's invitation to assist it with advice. Accordingly, the Committee visited Bombay from the 23rd to 29th August, Madras from the 30th August to the 1st September, and Calcutta from the 7th to the 13th September 1950. Appendix 'D'

contains a list of associations and individuals whom the Committee examined at these places.

6. The Committee met in Delhi to formulate its recommendations and to consider the draft report between the 8th and 12th October 1950. The report was finally signed on the 15th October 1950.

7. We wish to convey our thanks to all those who **Acknowledgment** responded to our invitation to express of services. their views on the problems referred to us for examination. We were much impressed by the notes and memoranda which they submitted to us and the pains they took to fill up the columns in the broadsheets circulated to them. We have greatly benefited by their views and by the opportunities that we have had of discussing our problems with many of them during our visits to the Port towns. We are also grateful to all the officials both in the Secretariat, New Delhi, and at the Port offices who were good enough to assist us with their advice from time to time.

8. Further, we should like to express our thanks to the State Governments and other authorities who arranged for our accommodation during our visits and to those Government Departments at the Centre and at the Ports which ungrudgingly supplied us with information bearing on our enquiry.

We also desire to place on record our appreciation of the services rendered by our Secretariat staff, who had often to work at high pressure and after the usual office hours to complete the work entrusted to them. But for their assistance it would have been difficult for us to complete our investigation within the short space of three months.

CHAPTER II

IMPORT TRADE CONTROL POLICY IN INDIA

A HISTORICAL REVIEW

SECTION A - GENESIS OF IMPORT TRADE CONTROL

9. Import trade control was first instituted in May 1940 as a war measure under the Introduction of Control (20th May 1940), Defence of India Rules for the conservation of India's dollar and hard currency resources as well as of the limited shipping tonnage during the period of the war. At first, the import of only 68 items, mainly consumer goods, was brought under control under the Department of Commerce, Notification No.1-ITC/40, dated the 20th May, 1940. Except for items covered by an Open General Licence issued by the Central Government or items specifically exempted from the necessity of import licences, licences were issued by Import Trade Controllers at the four main Ports (including Karachi now in Pakistan) to importers previously established in any particular trade on the basis of their past imports.

10. As the war progressed and exchange and shipping tended to become more scarce, the Extension of Control. scope of import trade control had to be gradually extended.

(a) Imports of unmanufactured and semi-manufactured steel were brought under control under the late Department of Commerce (December 1940). Notification No. 25-ITC/40, dated the 31st December 1940. A Steel Import Controller was appointed in Calcutta for issuing licences for steel items.

(b) Imports of machine tools were brought under control in February 1941 under the Machine Tool Control Order, 1941, issued by the late Department of Supply. The licensing authority under this Order was the Machine Tool Controller. (This Order has since been cancelled.)

(c) Later, in August 1941, practically all descriptions of imported articles were controlled in the late Department of Commerce Notification No. 56-ITC/41, dated the 23rd August 1941. This had become necessary in view of the acute shortage of goods in the supplying countries and their (exporting countries') insistence on the production of certificates of essentiality before allowing export of their products. The few articles of import that still remained outside the import trade control system were brought within it in January 1942.

11. With the extension of the scope of import trade control, capital and other goods required for industrial purposes also came under its purview. As these goods could not be licensed on a quota basis by the Import Trade Controllers at the Ports, it was found necessary to have a Chief Controller of Imports at the Centre. An organisation was, therefore, set up in New Delhi in August 1941 to function as a central authority for the licensing of such goods on the merits of each individual case.

A number of other licensing authorities were also appointed to license particular articles of which they had expert knowledge, e.g. the Cotton Textiles Directorate for cotton textile machinery, the Director General of Supply, New Delhi, for mineral oils, rubber goods, etc., and the Director of Civil Aviation for aircraft and parts.

This wide dispersal of licensing powers, however, soon led to confusion and administrative complexities. A Notification No. 23-ITC/43 was issued on 1st July 1943 whereby import licensing was concentrated in the Chief Controller of Imports at New Delhi and a limited number of other authorities. This notification remained operative throughout the period of the war and still continues in force with some modifications.

12. Another important development during the war-period relates to the introduction, Capital Goods Registration Scheme (December 1944), in December 1944, of a scheme for the registration of India's post-war requirements of capital goods, *vide* Government of India, late Department of Commerce Circular letter No. 1(83)-ITC/43, dated the 23rd December 1944. All orders for such capital goods were to be registered with the Chief Controller of Imports who worked in this matter under the direction of an inter-departmental Capital Goods Import Committee. Import licences under the scheme were granted only when orders had been duly registered and had been accepted by suppliers. After registration and issue of licences the Government afforded assistance to licence holders in the procurement and shipment of goods where necessary and possible.

13. After the cessation of hostilities and the lapse of the Defence of India Rules Continuance of Control in post-war years; Legal Sanctions. in September 1946, import trade control was kept alive by the Emergency Provisions (Continuance) Ordinance, 1946, for a period of one year, in order to avoid any disturbance during the transition from war to peace. In the interests of economic stability, however, it became necessary to extend the import trade control orders for a further period. Special legislation was enacted for this purpose in the form of the Imports and Exports (Control) Act, 1947. The legal sanction for import

control is now provided by this Act, as amended early this year. Notification No. 23-ITC/43, dated the 1st July 1943, with all its subsequent amendments, continues in force under the provisions of this Act. Goods imported in contravention of the Act, or the notifications or orders issued in pursuance of it from time to time, are liable to be penalised or confiscated by the Customs Authorities under the Sea Customs Act, 1878 and the rules or regulations made under it.

SECTION B - GROWTH AND DEVELOPMENT OF IMPORT POLICY

Position Before 1947

14. The operation of exchange control in India before 1947 was limited to non-sterling currencies and more especially to dollar and other hard currencies. The control was in effect exercised by the Sterling Area as a whole under the direction of the U.K. Treasury with a view to conserving the gold and dollar reserves of that area. Under Sections 40 and 41 of the Reserve Bank of India Act, the Reserve Bank of India was obliged to sell or purchase sterling, without limit of amount, at a prescribed rate. Sterling was not thus treated as "foreign exchange". Besides, India had accumulated a large amount of sterling balances which the country was free to utilise in whatever manner she desired.

As exchange control extended only to the non-sterling countries, a very big sector of India's international trade, both visible and invisible, was relatively free, being restricted by such factors as scarcity of shipping, diversion of strategic commodities to the prosecution of the war, and the relative scarcity of goods in the exporting countries.

15. The licensing of imports during this period was based on general principles of "essentiality" and "non-availability" of goods from the indigenous sources or from soft currency countries. The relative softness and hardness of a currency *vis-a-vis* the Indian rupee was determined by its status in relation to the Sterling Area as a whole. Import Control operated on a "qualitative" basis, i.e. licences were issued mainly according to these criteria without reference to the amounts of exchange involved. Conservation of shipping tonnage was a major factor. High priority was given to the import of goods required for war purposes, and the issue of import licences was frequently determined by this consideration. The type of goods that satisfied the test of "essentiality" varied from time to time, but the system almost inevitably led to rigidity, as little attempt was made to relate the issue of licences to available supplies or to the actual absorptive capacity of the country. To a certain extent exchange considerations also influenced the issue of licences--in that imports from soft currency areas were licensed more freely than from hard currency countries. There was, however, no definite overall allocation of foreign exchange for imports, nor were any attempts made to limit licensing to a fixed figure either for all or for specific currencies. India being a full member of the sterling area and there being no problem of overall balance of payments, the pattern of priorities was often determined by the adoption of policies similar to those followed in the U.K.

16. Partly because it was difficult to establish inflation as a factor in consumer goods under the stress of war, and partly because of heavy pressure of war materials on the available shipping space, the civilian sector was continually starved of consumer goods in the earlier years of war. The highly

inflationary situation which thus developed was further accentuated on the demand side by an increase in the purchasing power of the community resulting from a high tempo of economic activity, and by the presence of a large number of foreign troops in the country. The situation became so unstable that a high level approach was made to the Government of the United Kingdom and a drive to import consumer goods from all possible sources was started. In pursuance of this policy imports from the U.S.A. and other hard currency countries (which had by then become the main source of supply) were considerably liberalised. A large measure of success was achieved and the upward spiral of prices was held at bay. Taking advantage of the improved shipping position an Open General Licence (OGL VII) was issued at the beginning of the year 1945 permitting importation without licence of certain categories of consumer goods from the United Kingdom.

17. At the end of the war it was thought that the liberalisation controls could be gradually removed. In fact, the economic conditions then prevailing demanded as large an import as possible of plant and machinery for the replacement and maintenance of the industrial units and also of other industrial goods required for increased industrial production. The consumer demand, long pent up, was also large, particularly because of the inflationary conditions then prevailing. To meet these demands and as a step towards the ultimate removal of control, Government further liberalised its import policy during 1946.

(a) The scope of the Open General Licence issued in 1945 was considerably enlarged in January 1946 so as to cover a much greater variety of articles including industrial goods such as textile mill stores, printing and other machinery, etc. and was extended to all the British Empire countries in the Sterling Area.

(b) Even for those commodities which continued under the licensing system, licences were issued so generously from the Sterling Area and from other easy currency countries (such as France, Belgium, Holland and countries in the Middle and the Far East) that the total value of the licences issued during the twelve months ending March 1947, was as much as nearly 1,000 crores of rupees. An exception was, however, made in the case of goods the prohibition or restriction of import of which was considered necessary either for an orderly liquidation of temporary war surpluses or to avoid undue injury to Indian industry.

((c) As for the U.S.A. and other hard currency countries, the general principle of import policy till then was that no licence should be issued for the importation of any commodity from these countries unless the importers could establish that goods were (a) essential, and (b) unobtainable from the Sterling Area. The strict pursuance of this policy had made India a large nett contributor to the Commonwealth Dollar Pool. This foregoing of benefits of her export trade with America had given rise to much public criticism in India. It was accordingly decided that she should virtually break away from the Commonwealth Dollar Pool and issue licences freely for her requirements from difficult currency countries. A Universal Open General Licence (OGL VIII), issued in September 1946, allowed free imports of certain classes of foodstuffs and consumer goods from any source within or outside the Sterling Area.

18. The full effects of these relaxations were not, however, visible till the end of 1946 when imports began to arrive in large quantities. The goods received were mostly of luxury and non-essential variety, essential goods being in short supply in the leading manufacturing countries. Concurrently, essential imports of foodgrains led to a larger utilisation

of foreign exchange than had been originally anticipated, while exports failed to expand to a corresponding degree.

Position Since 1947

19. Early in 1947 it was realised that such generous imports could no longer be allowed and that the country would soon be called upon to limit the imports to what it could pay for from the current earnings of the export proceeds *plus* the transfers from the sterling balances as fixed by mutual agreement with the United Kingdom Government. (The first half of the negotiations between the Governments of U.K. and India leading to the Indo-U.K. Financial Agreement of August 1947 were held in New Delhi in February 1947). So it became necessary to review the import policy with a view to ensuring that the limited foreign exchange available was utilised for essential imports only. During the first half of the calendar year 1947, various steps were taken in this direction, among which were the following:-

- (i) on the 6th March 1947 the issue of import licences for bullion was completely stopped;
- (ii) on the 14th March 1947, the Universal Open General Licence (OGL VIII) issued in September 1946, was cancelled, shipment against orders already placed under the licences being allowed upto 31st March 1947;
- (iii) the term of the validity of existing import licences which extended upto 31st December 1947 was limited to 30th June, 1947, shipments being allowed only upto that date;

(The restrictions on shipments, both under (ii) and (iii) above, were found to be too drastic and had later to be relaxed under pressure from commercial organisations as well as foreign countries);

- (iv) the issue of import licences under certain categories of goods which were regarded as unessential was totally prohibited;

- (v) in May 1947, Open General Licences Nos. I, II and VII issued during the war, and permitting imports of certain descriptions of goods with-outlicences from Ceylon, Portuguese possessions in India, and the Sterling Area respectively were cancelled. Simultaneously a new Open General Licence No. IX was issued for the Sterling Area alone, covering a comparatively small list of goods, the import of which was regarded as absolutely essential.

20. In the meanwhile emergence of new factors in **Reorientation of import policy.** the economic situation in the country necessitated a re-orientation of the import trade control policy in general. One such factor was the extension of exchange control in July 1947, to the whole world, including the Sterling Area.

As a corollary to the restrictions imposed on the release of India's Sterling balances by the U.K. Treasury the foreign exchange situation in the country had become difficult, and her balance of payments position was in danger of deteriorating. Besides, a large pent up demand for consumer goods, plant and machinery and other industrial goods, the Government had to import foodgrains from abroad on a considerably larger scale since 1946. Despite the tightening of import control in the earlier part of 1947, the heavy influx of imports had actually turned the balance of trade against India in July 1947. It was felt that the demand for foreign exchange would be very much in excess of the amount available from exports, both visible and invisible, and the sterling released as a result of agreement with the U.K. Government. Over 80 per cent. of our annual foreign exchange disbursements being on account of imports, any appreciable reduction in expenditure could only be achieved by the licensing of imports. "From July 1947 import trade control thus entered on a new phase, being linked closely with foreign exchange control and the balance of payments problem. Since

then the main objective of the import trade control has been the conservation of foreign exchange resources".*

In the main, it was a change-over from "qualitative" to "quantitative" licensing on the basis of specific exchange ceilings allocated for specified goods from the different currency blocs, with a provision for transitional arrangements.

21. Throughout the twelve months ending June, 1948, import licensing policy was Regid Import Res- 1948, import licensing policy was trictions (July 1947 very restrictive. Many of the luxury to June 1948). and semi-luxury articles and even a number of essential consumer goods were either given no import facilities or severely restricted. A number of industrial raw materials were also on the restricted list. Licences were, however, issued liberally for plant and machinery and some of the industrial goods.

During the first six months of the period under review India's foreign exchange was multi-laterally convertible and import licences were issued without discrimination between the sources of supply. Such discrimination, however, became necessary with effect from January 1948, because the dollar position had seriously deteriorated throughout the world and India, in common with most other countries, had to watch closely its balance of trade with these areas, particularly as her dollar earnings were limited.

22. While this restrictive policy helped in Liberalisation maintaining the balance of payment with of Import Trade dollar and hard currency countries, it Control, also resulted in a large surplus balance July 1948 to in India's current account with soft June 1949. currency countries. During the period (a) Economic Background. of twelve months ending June 1948, no more than £3 million sterling was drawn from her

*Speech delivered by the Commerce Minister while opening the proceedings of the First Meeting of the Import Advisory Council.

sterling balances although under the Agreements with the U. K. Government, the Government of India were entitled to draw as much as £83 million. Meanwhile the growing scarcity of industrial and essential consumer goods accompanied by the removal of food and textile controls led to a progressive increase in the price level.

It was widely held that strict import policy in respect of consumer goods had been one of the major factors contributing to the heavy inflationary pressure in the country. Later, at the first meeting of the Import Advisory Council in February 1949, the Commerce Minister stated that "the experience of our restrictive import policies till June 1948, and the large unspent balance of foreign exchange at the end of that period clearly showed that the Government were imposing on consumers a measure of austerity which was not warranted by the limitations of our foreign exchange balances with soft currency countries". It was against this background that the policy of restricted imports was revised. The main objects of liberalisation of imports as explained by the then Commerce Minister, were to make further use of the foreign exchange resources available for imports from soft-currency countries and to increase the supply of consumer goods in the country so as to counteract the growing intensity of inflation.

23. The process of liberalisation was in effect (b) Measures of Liberalisation: when, a large number of non-essential O.G.Is. XI, XII, XIII & XIV. industrial and consumer goods were added to the list of articles which were freely licensable from sterling and other soft currency countries. The measures taken to liberalise imports between July and October 1948 were to issue

Open General Licences for the more essential consumer goods and industrial raw materials and to permit imports, in limited quantities, of certain non-essential goods which had till then been banned. O. G. L. XI issued on July 3, 1948 for the free importation of various raw materials, specific items of machinery and essential consumer goods from soft currency countries was followed in quick succession by O.G.Ls. XII, XIII and XIV permitting similar facilities from (a) Sweden and Switzerland, (b) Japan and (c) Ceylon, Iraq, Portuguese India and the Persian Gulf Sheikdoms, respectively. Although Sweden, Switzerland and Japan were strictly not soft currency countries, the balance of payments position had eased for a time, and under stipulations made in the Sterling Balances Agreement of 9th July, 1948, their currencies were permitted to be treated as 'Soft'. O.G.Ls. XII and XIII permitting free imports from these countries were issued for a limited duration with a view to securing the maximum advantage of trade agreements, which required that the scheduled imports were to be made between September 1948 and March 1949.

24. The list of articles placed on the O.G.Ls. (c) Principles of Liberalisation. was kept under constant review and in November 1948 it was expanded so as to include a number of non-essential goods like toilet requisites, silk piece-goods, motor cars, tobacco, smoker's requisites, ivory unmanufactured etc. "The actual selection of commodities for the Open General Licence was made by the Commerce Ministry after close consultation with, and with the full concurrence of, the other Ministries of Government, particularly the Ministry of Industry and Supply The main basis on which the selection was made, was our (Government's) appreciation of the essential needs

of the country both for increased industrial production and the general economic needs for consumer goods. (Going through the list of articles placed on the Open General Licences, one will find that) nearly all goods needed by industry (were) included in them. Their inclusion should aid an increased industrial production in the country. The Open General Licences also include (d) a number of consumer goods; but these (were) mostly essential requirements of the general public. With the exception of certain items placed on the Open General Licence in November 1948, the non-essential goods (were) excluded from the Open General Licences, their import being either restricted or in a few cases even banned. The addition of luxury goods made in November were purely for anti-inflationary purposes. Customs duties on all these commodities were also increased at the same time". (Commerce Minister, February 1949.)

25. The merits and demerits of the policy of liberalisation pursued during this period have been often debated in the past.* It is not necessary in this context to repeat these arguments. It would suffice to point out that early in 1949 it was realised that the deficit in the country's foreign trade was tending to be larger than the rate of transfers from her accumulated sterling balances. At the same time a fall in exports to dollar and hard currency countries led to a reduction in India's hard currency earnings. It was therefore decided to curtail commercial imports still further from the dollar and hard currency countries and some of the commodities licensed till then for these areas were placed in prohibited categories. But in respect of imports from the soft currency countries, it was felt that

*Cf. The proceedings of the Second Meeting of the Import Advisory Council, June 1949 and the Commerce Minister's speech on that occasion.

since the volume of orders had been tapering off and future imports were likely to be on a lower level as the trade became stabilised, any alteration in the import policy was likely to affect the economy in an adverse manner. The U. K. Financial Delegation which visited Delhi in February 1949 also counselled moderation. Soon, however, the balance of payments position further deteriorated and it became obvious that until exports were stepped up appreciably, imports would have to be curtailed severely to restore the balance in the country's foreign trade accounts. A modification of the liberal import policy thus became inevitable.

26. Open General Licence No. XII had been already cancelled on 31st December, 1948 as the balance of payments position with Switzerland, had become more difficult. As Sweden was considered a soft currency country the Open General Licence No. XI had become applicable to it on the cancellation of Open General Licence No. XII. The Open General Licence No. XIV for Japan was also cancelled on the 17th March, 1949, following a serious deterioration in India's balance of payments position with that country.

Further measures reversing the policy of liberal imports were introduced in May 1949 when O.G.L. XI relating to the soft currency areas was cancelled (5th May 1949), shipments against commitments made under this licence being permitted only till the end of May and thereafter only on a special scrutiny of the individual commitments and with due regard to the essentiality of the commodity concerned. A fresh O.G.L. No. XV was issued on the 9th May, 1949. The scope of this licence excluded articles of a luxury nature and even some essential consumer goods particularly those articles which competed with Indian products. Meanwhile, the dollar earnings

from India's exports were falling off and the Sterling Area's reserves of gold and dollar were being depleted rapidly. To meet this acute position, the Government of India decided to suspend the licensing of imports from dollar and hard currency areas in the last week of June 1949.

27. Since July 1949 the basis of import policy has been that the import programme must be limited to what can be financed with-
 Conservative Import Policy since July 1949
 (1) July-December 1949. in our resources, and that it should provide adequately, or at least to a reasonable extent, for capital goods and other machinery and raw materials for industry as also for essential consumer goods like drugs not available from indigenous production. The import programme during the six months ending december 1949 was governed by a number of uncertain factors, more important amongst these being (a) indiscriminate importation of consumer goods and industrial raw materials during the preceding twelve months' period, (b) a large adverse balance in India's external payments, (c) the precarious dollar position, (d) the Sterling Balances Agreement of 1st August 1949, and (e) Devaluation.

The Sterling Balances Agreement (August 1949) provided in the first place for the regularisation of the overdrawal made during July 1948 to June 1949 so that this did not affect the release of sterling for 1949-50 and 1950-51. Secondly, when the Open General Licence XI was withdrawn in May 1949, it was considered desirable both in the interests of India and the United Kingdom that the process of bringing down India's imports should be gradual. For meeting the charges arising out of this process, which it had been agreed should be completed by June 1950, the U. K. Government agreed to release a further sum of approximately £50 million in addition to

the normal release. Thirdly, the annual rate of release for 1949-50 and 1950-51 was increased from the original figure of £40 millions agreed to in July 1948 to £50 millions.

As for the dollar requirements of India during 1949-50, the problem of convertibility of sterling balances was examined as part of the Commonwealth Finance Ministers' discussions. In order that the Sterling Area reserves of gold and dollar might not be unduly depleted, all the Governments concerned agreed to limit their dollar imports during the 12 months ending June 1950 to 75% of their respective dollar imports during the calendar year 1948. In the meanwhile as noted earlier the licensing of imports from dollar and hard currency areas had remained suspended in India with effect from the last week of June.

The import programme for the period July 1949 to December 1950 was, however, drawn up as late as August 1949 (after the return to India of the members of the Sterling Balances Delegation), on the basis of strictly limiting the deficit in India's foreign trade to the sterling release agreed to with the United Kingdom Government, with due regard to the ceiling that had been accepted for dollar imports. Open General Licence XV of May 1949 was accordingly cancelled and replaced by a short Open General Licence No. XVI, which included only a very few items besides essential machinery, not manufactured in India in sufficient quantity and quality. The licensing of imports from dollar and hard currency countries was resumed in the middle of September 1949.

Immediately after the import programme was announced, devaluation of the Pound Sterling and other currencies necessitated its revision. Imports from sterling areas generally were not affected directly by devaluation but in the case of certain items, as

for example, petroleum products which were imported from the Middle East and non-ferrous metals obtained from Commonwealth sources, world prices were primarily determined by the price of supply from North America and hence the prices tended to rise and adjustments had to be made on this account in the import programme. As for dollar imports, devaluation made it more necessary than ever that these should be strictly regulated. As the import programme had already taken into account the major factors which led to devaluation, namely the dollar deficit of India and other sterling area countries, no change was considered necessary in the programme of imports from dollar areas which had been prepared only a fortnight before devaluation. Rupee ceilings had, however, to be increased by 44% to permit the import of the same quantity of goods.

In view of the situation arising out of the non-devaluation decision of the Pakistan Government, the Government of India suspended OGL X which permitted imports of all except two or three commodities from Pakistan without a licence. Simultaneously steps were taken to permit the importation of goods which had been paid for by India before devaluation. Except for this, Indo-Pakistan trade practically came to a standstill. An O.G.L. No. XVII, valid until 31st March 1950 was notified permitting the imports of raw hides and skins from various sterling area countries without a licence to meet the demand which was previously met by Pakistan.

28. During the licensing period, January to December, 1950 and the current half year, (ii) Import Programme for 1950. the Government have maintained a Conservative approach to import licensing. Broadly, the overall import policy still continues to be governed, as stated earlier, by their desire "to

provide reasonably adequately for all the country's requirements of machinery and industrial raw materials and to make fair provision for essential consumer goods".

As a result of the cancellation of the Open General Licences and the planning of a restrictive import programme, the very substantial deficits in trade balances which had prevailed in the first half of 1949 have been progressively reduced; for five months since November 1949, owing largely to an increase in the value of exports, the balance of trade was actually favourable. The overall adverse balance of trade for the twelve months ended June 1950 amounted only to Rs. 49 crores as against Rs. 175.1 crores in the preceding year. The balance of payments position was even more favourable with a small surplus resulting in a net addition of Rs. 7 crores to our sterling balances.

The relatively easy exchange position during the current year was reflected in the import programmes for licensing periods January to June and July to December 1950, providing as they do for a substantial increase in the monetary allocations for various essential commodities, as compared with the very restricted import programme framed for July to December 1949. The commodities concerned are caustic soda and soda ash which were not licensed during July-December 1949 because of heavy imports under OGL XI, art silk yarn and industrial raw materials like non-ferrous metals, raw cotton, raw wool etc.

Other important developments in the import programme for the current year include, (a) resumption of trade with Pakistan on a limited scale*, (b) introduction of a long-term licensing scheme covering a substantial range of the import trade, particularly raw

*The position has, however, changed since the 30th September 1950 in the absence of a renewal of the agreement with Pakistan.

materials and other requirements of industry and (c) issue of Open General Licence XX to meet the situation arising out of the Korean war.

29. As a result of the trade deal arrived at between India and Pakistan towards the end of April 1950, an Open General Licence No. XVIII, was issued by the Government of India on 13th May 1950 permitting free import of fish, eggs, poultry, milk and milk products, fruits, vegetables, cotton seed, hides and skins, coconuts, cashewnuts, currants, betelnuts, handloom cloth and soda ash from Pakistan.

30. The long-term licensing scheme referred to above owes its origin to the generally expressed desire of trade and industry that the import trade programme should be planned for a longer period than the six-monthly period adopted hitherto. After a careful examination of the proposal at the time of framing the import programme for the current half year the Government of India have taken the following decisions in this direction:-

- (a) forward commitments for the period January to June 1951 can be entertained into at this stage in respect of a substantial range of the import trade, particularly raw materials and other requirements of industries;
- (b) as it is necessary as far as possible to secure an even flow in the expenditure of foreign exchange it will not be possible merely because a commodity has been chosen for inclusion in the Scheme to issue a single set of licences covering a full years requirements of that commodity. In the case of such commodities, therefore, two sets of licences will now be issuable, one in respect of July-December 1950, and one in respect of January-June 1951;
- (c) the present issue of licences for January to June 1951 covers only items for which it is possible to make firm long-term commitments

in advance and in anticipation of the general licensing policy for that period, which will be finally announced later. The exclusion of any item from the list of commodities, licences for which will now be issuable in respect of the period January to June 1951 does not mean that that commodity will not be licensed when the final policy for that period is formulated.

The hope was expressed that the decision would ensure continuity of policy in so far as a wide variety of industrial requirements were concerned and would enable manufacturers to plan their programmes of production with greater confidence than was possible hitherto.

31. As has been already mentioned the latest O.G.L. XX. development in connection with import trade control has been the publication on the 5th August 1950, of an Open General Licence XX, in respect of certain articles provided they are shipped to India not later than the 31st December 1950. The Korean war gave rise to speculation in a large number of commodities resulting in an increase in the prices of certain imported commodities and a shrinkage in their availability. The Government of India decided that the situation should be met by the publication of an Open General Licence in favour of certain articles selected on the following basis:

- (a) that they were essential raw materials and component parts;
- (b) that they were not produced in India in significant quantities; and
- (c) that their import in larger quantities was necessary to maintain essential supplies in the country.

This Open General Licence contains two lists: the commodities in the first list are permitted to be imported from all countries except South Africa, while the commodities in the second list are allowed to be imported only from soft currency countries.

32. In the foregoing paragraphs, we have set out as briefly as we could the main stages in the evolution of import control policy in this country as a prelude to the chapters that follow. We have considered this necessary, because we feel that it is only the facts thrown up by this narrative that can provide a comprehensive perspective from which to view the wide range of issues implicit in import control and the changing economic conditions in which import control has had to be administered. Moreover it seems to us that it is only against the background of past policies that the implications of our suggestions and recommendations can be fully appreciated. We trust we have been able, in the subsequent chapters, to make good use of the lessons of this survey. In this view, we do not consider it necessary to attempt a more detailed appraisal of the past. We are concerned primarily with the present and the future and an outline of the past policy such as we have attempted to give is all that is needed for our purpose.

नमो भगवते वासुदेवाय

CHAPTER III

IMPORT CONTROL POLICY

SECTION 'A' - OBJECTIVES AND PRINCIPLES

33. The historical survey undertaken in the previous Chapter has broadly described the factors which have from time to time shaped the country's import trade control policy. Their relative influence on practical policy has often changed and even a close analysis may not readily disclose which among these basic factors dominated policy in a particular period. In the circumstances that faced the country immediately after the cessation of hostilities, this was not altogether avoidable. The domestic and international economic situation was still fluid and uncertain; the many complex factors, of local as well as foreign origin, bearing on the pattern of the country's foreign trade were still in a state of flux while the improvisations of war-time policy with their clear-cut short-term objective had yet to be replaced by an equally clear formulation of the objectives of a long-term import control policy appropriate to the transition from war to peace. Consequently, *ad hoc* decisions induced by the stress of events as they occurred and often unrelated to the basic factors of the country's foreign trade, were taken from time to time, resulting in those large fluctuations of policy to which we have already referred in the previous Chapter. Nevertheless recent developments in import control policy seem to us to presage the emergence of a less unstable and more coherent body of basic principles. We believe it is now being more and more realised, alike by the framers of policy and the commercial and industrial interests closely concerned with import control, that the basic objectives of import control policy in this country should be -

Basic Objectives
of Import Control
Policy.

- (a) to limit the aggregate imports, on Government or commercial account, to the total available foreign exchange earnings from different sources, including sterling releases;
- (b) to distribute the available foreign exchange resources in the most equitable manner among the commodities required for:-
 - (i) the planned development of agriculture and industry, and
 - (ii) the essential requirements of consumers;
- (c) consistently with the above, to moderate the fluctuations in the prices of particular commodities, where they may have abruptly risen much above the parity of the general level of prices on account of shortages resulting from deficiencies in supply or other causes.

34. The *first* objective calls for no comments. The *Import Control and Price Level* evidence tendered before us was unanimous on the paramount need for the establishment of an equilibrium in our international accounts, but opinion was divided as to how best this balance could be struck, the level at which it should be struck, and the mechanics of achieving the balance. We shall presently dilate on some of these issues in so far as they bear on import control.

The *second* objective goes to the heart of import licensing policy and some of the major problems which are associated with it will be discussed in the following chapter.

The *last* objective impinges both on the first and the second, and has been throughout implicit in the post-war import control policy of this country. As we have already seen, the liberal import policy of the second half of 1946 and the similar liberalisation in import restrictions in the second half of 1948, heralded by OGL XI were largely designed as "anti-inflationary measures". There is, however, one fundamental difference between this policy of the earlier years and the

third objective of import control policy as we have formulated to which we should like to draw attention. The point is of considerable theoretical as well as practical importance, but we can attempt only a brief reference to it in this context. In our view, in a country like India where foreign trade accounts for a comparatively small fraction of the total internal trade, import and export policy can hardly exercise any appreciable effect on a persistent inflationary situation, till the fundamental domestic factors which sustain the inflationary pressure have been brought sufficiently under control by effective budgetary, credit and administrative policies. It is only when the appropriate correctives have succeeded in not merely halting the rising spiral of prices but also in inducing a downward movement that liberal imports can accelerate the downward momentum and hasten the disinflationary process. In an altogether different context, as the experience of the liberal import policy of 1948 has shown, liberalisation of imports will only result in a temporary reduction in the prices of particular commodities, the general inflationary position remaining unaffected. We do not, therefore, favour the dissipation of our limited foreign exchange resources in efforts to "combat inflation". Our objective of moderating abnormal increases in the prices of particular commodities has, however, a different purpose. If the price of a particular commodity rises far above the parity of the general level of prices it must be either because of an actual or anticipated shortage in supply or because of hoarding and cornering on the part of traders or manufacturers. In either case the provision of additional foreign exchange for increased imports of the particular commodity and a liberal licensing in respect of it, may not only bring down its price to a reasonable level but may also prove to be a wholesome deterrent against future manipulation of its price by interested parties.

We have considered it desirable to emphasise this difference between our approach and the so-called anti-inflationary objective of the earlier years, because we feel that the admitted ineffectiveness of the earlier policy was largely due to inadequate understanding of the part that import policy can play in the regulation of the general price level in an economy like ours.

SECTION 'B'- THE FOREIGN EXCHANGE BUDGET

35. We now pass on to the issues relating to the first objective of import control policy.

Role of Exchange Budgeting in Import Control. The basic requirement of limiting the total volume of imports to the total amount of foreign exchange available was recognised as early as the second half of 1947, when the first foreign exchange budget was prepared. The procedure followed in the preparation of this budget has been outlined in Part I of the broadsheet which we circulated to Chambers of Commerce and Trade Associations (Appendix C) and to which we have referred in Chapter I. The Foreign Exchange Budget constitutes, as it were, the keystone in the arch of import control policy; for it lays down the financial frame work within which this policy must function. It is, therefore, of the utmost importance that this budget should be framed not only on the basis of dependable estimates, but also embody in the monetary allocations under different heads, an integrated policy of trade and industrial development. We shall discuss the problems of exchange allocations in the next chapter. In this and the following sections we confine ourselves only to some problems connected with the mechanics of budget-making and the appropriate size of the foreign exchange budget.

36. The estimates of export earnings continue to be largely based on departmental views about domestic production and domestic requirements and on the broad assumption that only the difference between them can provide the surplus out of which exports can be made. How inadequate these estimates are will be seen from the following table:-

TABLE 1.— *Budget Estimates of Export Earnings and Value of Actual Exports*

| Rs. Crores | | | |
|---------------|-------------------------------------|--------------------------|------------------------|
| Period | Budget Estimates of Export Earnings | Value of Actual Exports* | (3) as per cent of (2) |
| 1 | 2 | 3 | 4 |
| 1947- | | | |
| July - Dec. | 1,80 | 2,02 | 112.2 |
| 1948- | | | |
| Jan. - June | 1,80 | 2,15 | 119.4 |
| July - Dec. | 2,27 | 2,12 | 93.4 |
| 1949 - | | | |
| Jan. - June | 1,85 | 1,97 | 103.5 |
| 1949 - 50 - | | | |
| July - June @ | 4,23 | 4,77 | 112.8 |

* Including re-exports. Sea-borne trade only.

@ Twelve months.

We suggest that the departmental forecasts should be supplemented by the more direct evidence of the behaviour of India's principal export markets. For this purpose it is essential that Government should be able to make much better use than they do at present of the Indian Trade Commissioners and Consular Agents stationed abroad. They are hardly equipped for this

function and the periodical reports which they transmit to the Ministry of Commerce contain much interesting information but little that can be of practical use in the quantitative assessment of the trends, of the principal Indian exports in the respective foreign markets. The creation of a well-designed and well-administered Indian Economic Service will make it easier to select the right type of personnel for this purpose, but till then we suggest that Trade Commissioners and Consular Agents should be carefully selected and trained for their work before they are sent out, and the organisations in their charge should contain men well-versed in commercial methods and practices and competent to study and analyse market trends.

At the same time, we recommend that the Reserve Bank should undertake a systematic study of the modern technique of foreign trade forecasting, so that in due course the empirical judgments on the basis of which the estimates of export earnings and import requirements are now largely framed may be supplemented by more objective criteria. We understand that the Bank has already initiated certain studies on the price and income elasticities of foreign demand for some of India's principal exports - a move which we commend. We suggest that similar studies in respect of the principal heads of India's imports may be also undertaken. It may be necessary to reorganise the compilation of India's commercial statistics and to arrange for the training abroad of suitable officers from the Bank for this purpose. Further if these researches are to yield practical results, they must be organised on a comprehensive scale and based not merely on existing commercial statistics but also on field investigations in the principal markets. This, as we have already

said, can be best undertaken by our Trade Commissioners and Consular staff, provided they have been carefully selected and trained and equipped for this duty.

37. Of no less importance is the need for expend-
able estimates of our import require-
ments. The following table will show
the range of discrepancy between our
estimate of import requirements and the actual imports.

TABLE 2.—*Budget Estimates of Import Requirements and Value of Actual Imports*

| PERIOD. | Budget Estimates of Import requirements | | Value of Actual Imports (Private & Govt. Account) | | (5) as per-cent. of (4) |
|---------------|---|---------------------|---|--------|-------------------------|
| | Govt. Merchandise | Private Merchandise | Total | | |
| | (1) | (2) | (3) | (4) | (5) |
| 1947— | | | | | |
| July - Dec. | 76 | 1,57 | 2,33 | 1,91 @ | 81.9 |
| 1948 — | | | | | |
| Jan. - June | 92 | 1,45 | 2,37 | 2,07 * | 87.3 |
| July - Dec. | 97 | 2,02 | 2,99 | 2,47 | 82.6 |
| 1949 — | | | | | |
| Jan. - June | 1,13 | 2,14 | 3,27 | 3,36 | 102.8 |
| 1949 - 50 — | | | | | |
| July - June** | 1,51 | 3,92 | 5,43 | 5,11 | 94.1 |

@ Private Merchandise only.

** From January to March 1948; imports on govt. account are not included.

* Twelve months; July 1949 to June 1950.

38. It will be noticed that the range of variation between the estimates and the actuals in the case of imports is slightly less than in the case of exports. Nevertheless the discrepancy in either case is appreciable. It will be further observed that whereas in the case of exports, the export earnings appear to be under-estimated, the converse is the case with estimates of import requirements. Generally speaking, in the latter case actuals seem to fall short of the estimates by an appreciable margin. This divergence between estimates and actuals have fortuitously combined to strengthen India's foreign exchange budget. We suggest, however, that this strength should be derived not from any such fortuitous combination of circumstances but from more dependable estimates of our foreign exchange earnings and requirements. We have considered it necessary to draw attention to this matter because we feel that in the next few years much closer stock-taking of the country's foreign exchange resources will be necessary if Government are to succeed in balancing the country's international accounts at a reasonably high level such as will enable us to ensure the balanced development of our agriculture and industry. The "cushion" provided by the sterling releases is rapidly running out and in the near future the volume of imports will have to depend more and more on our exports, visible and non-visible. We cannot obviously continue to rely on the sterling releases to bridge any persistent gap between our actual imports and exports.

39. This brings us to an important suggestion regarding the conservation of our foreign exchange reserves which was brought to our notice by several individuals and Chambers of Commerce, e.g. the Federation of Indian Chambers of Commerce and Industry, the Indian Merchants' Chamber of Commerce, Bombay, the All India Manufacturers'

Conservation
of Foreign
Exchange.

Organisation, Bombay and the Bharat Chamber of Commerce Calcutta, to name only a few. The suggestion has been often canvassed before Committees and Commissions in recent years and has also been recently under the consideration of Government. We were interested in it primarily from the point of view of the conservation of India's foreign exchange resources and the possibility of the adaptation of the apparatus of import control to serve this purpose. In view of India's present balance of payments difficulties, it was impressed on us that Government should urgently take all possible measures to augment India's foreign exchange resources, and to this end should provide in their licensing procedure that those importers who make use of the services of Indian shipping, banking and insurance companies will be allotted an additional monetary quota for licensable imports equivalent to the difference between c.i.f. or c.& f. price as the case may be; and the f.o.b. price of imports. It was argued in support of this suggestion that while the bulk of India's exports were on an f.o.b. basis, it was anomalous that most of her imports were on c.i.f. contracts, and that steps should be taken to remove the anomaly as early as possible. We agree in principle, as did the Fiscal Commission, in Chapter XVIII of their Report, that even from the limited point of view of the development of India's foreign exchange resources--the point of view with which we are concerned in this Report--there is a *prima facie* case for an immediate and thorough examination of this problem. Our tentative view on this subject which we have explained to the representatives of the Ministries of Finance and Commerce is that although no spectacular results can be achieved in the short term there is a clear case for the exercise of Government initiative to further the use of the services offered by our Shipping, Insurance and Banking Houses in the transport

and financing of foreign trade. We do not suggest that these three services stand on the same footing or that the same policy can apply to all of them. Shipping is perhaps the easiest to handle, while Banking would probably raise the most difficult issues. Nor should we be deemed to imply that purely negative or restrictive measures will promote the full utilisation of these services. Clearly these safeguarding measures must be supported by constructive and organised private effort to "sell" these services to the importers and exporters and to create confidence in them as to their quality. In course of our informal discussion with representatives of the Ministries of Finance and Commerce, we have broadly indicated our approach to the problem and the extent to which Government can be legitimately expected to encourage the utilisation of Indian Shipping, Insurance and Banking in our import and export trade. But the subject requires more detailed examination in consultation with the interests concerned before precise measures of assistance and encouragement can be devised. We did not consider it necessary for our purpose to attempt this task. We, therefore, recommend that the Ministry of Finance should undertake an immediate detailed examination of this problem in the light of our tentative views, in consultation with the Reserve Bank and the Ministry of Commerce, in order to assess its size and the full implications of the proposed measures of encouragement and assistance. It will then be for Government to decide what organisational and administrative steps are required to deal effectively with the problem, in the light of the facts disclosed by their examination and to what extent the machinery of import control can be used for this purpose. We recognise that the issues raised by the proposal under discussion are by no means simple, and a careful balancing of advantages and

disadvantages would be necessary before any effective steps can be taken. Nevertheless we feel that if the subject is energetically and conscientiously dealt with, it should be possible for Government to take some interim action, in anticipation of long-term measures, to augment the country's foreign exchange resources by suitable modifications in the import licensing instructions. At the same time we emphasise the importance of Government taking all possible steps to reduce India's expenditure of foreign exchange on Government account. In particular, we would suggest a careful scrutiny of our administrative expenditure abroad and of Government purchase generally.

Overall Stability in the Foreign Exchange Budget.

40. There is another important point relating to our foreign exchange budget, to which we should like to make a reference. If, as we expect, our balance of payment difficulties continue for some years to come and imports have to be controlled over a wide range of articles, the need for reasonable stability in our foreign exchange budgetary policy becomes pronounced. We heard many complaints about sudden swings of the budgetary pendulum between relative stringency and comparative easiness. Some of those complaints were, no doubt, based on inadequate understanding of the factors which enter into the framing of the foreign exchange budget. But it is clear that even within the limitations imposed by a changing international economic situation, no attempt was made in the past to work for a policy of relative stability in our foreign exchange budgeting. We suggest that efforts should now be made to remedy this defect as far as possible. We appreciate that neither the internal nor the external economic situation has adequately stabilised to render this task easy. Nevertheless, by now we know sufficiently about the operation of the basic factors

underlying it to justify the experiment that we propose.

On the receipts side, the basic factors are as follows:-

TABLE 3.— *Foreign Exchange Receipts*

(Six-monthly data)

Rs. Crores.

| Description | 1948 | | | 1949 | | | 1950 |
|----------------|------|------|-------|------|------|-------|------|
| | I | II | Total | I | II | Total | I |
| Trade Receipts | 2,40 | 1,85 | 4,25 | 1,85 | 2,34 | 4,19 | 2,41 |
| Invisibles | 70 | 59 | 1,29 | 68 | 73 | 1,41 | 74 |
| Total Receipts | 3,10 | 2,44 | 5,54 | 2,53 | 3,07 | 5,60 | 3,15 |

The figures of trade receipts are supported by the trend of the monthly average of exports since 1947, which works out to about Rs. 35 crores per month - a figure which in our view is safe enough to form the basis of long-term budgeting. Add to this the receipts from invisible exports, which appear to have reached stability at a figure of Rs. 130 crores per annum, and we have a total of Rs. 550/- crores. Out of this sum about Rs. 100 crores may be allowed for payments on account of invisibles, including Government expenditure abroad for other than food items. The balance of the receipts *plus* the annual sterling releases will be available for food and commercial imports. If we can hold the imports of food or other unforeseen requirements of a capital or non-recurring nature at a figure, which does not, by and large, exceed the total of the sterling releases to which we may be entitled in the near future, the total amount of foreign exchange available for commercial imports may be placed at about Rs. 450/- crores per annum. It may be prudent to set apart Rs. 50

crores out of this sum in another contingency reserve to be operated on either to control a sudden deterioration in export receipts or to moderate the fluctuations in the prices of particular commodities. The amount available for commercial imports will then be about Rs. 400 crores per annum. We suggest that the minimum peace-time target for India's foreign exchange budget for commercial imports be fixed at this level. Provided our recommendation about O.G.L.'s in relation to future licensing policy is accepted, the effective imports will in all probability generally remain appreciably below this target and there will be little doubt about Government's ability to adhere to it. If these estimates are generally accepted, the foreign exchange budget for the next twelve months will be roughly as follows:-

| Receipts (Crores of Rupees) | | Expenditure (Crores of Rupees) | |
|-----------------------------|---------|--------------------------------|---------|
| (i) Trade | 420 | (i) Invisible | |
| (ii) Invisibles | 130 | (including | |
| Total | 550 | Govt. expenditure abroad other | |
| Add sterling release | S | than food) | 100 |
| | | (ii) Food | S |
| Grand Total | 550 + S | Total | 100 + S |
| | | Add balance for | |
| | | commercial imports | |
| | | and Contingency | |
| | | Reserve | 450 |
| | | Grand Total | 550 + S |

We do not claim any high degree of accuracy for the estimates given above, but mention them primarily to indicate the order of magnitudes involved. It

seems to be clear that even on a conservative estimate of the trend of India's foreign exchange receipts and expenditure, it may not be difficult for Government to hold the level of commercial imports at a minimum peace-time figure of about Rs. 400 crores during the next few years. We consider that import control policy should, in future, be based on this budgetary target.



CHAPTER IV

PROBLEMS OF IMPORT LICENSING

41. In this chapter, we propose to elucidate the second basic objective of import control policy, *viz.* the balanced distribution of the available foreign exchange resources among the different groups of commodities, and to examine some procedural problems relating to import licensing. The first issue goes to the heart of import licensing policy, for a rational system of licensing can be built up only on adequate exchange allocations based on a scheme of priority-rating for imports. In Section A we discuss the problems connected with this subject; Section B which follows is concerned mainly with procedural matters.

SECTION A - PRIORITIES IN IMPORT CONTROL

42. The problem of determining priorities in import control is beset with difficulties particularly in the absence of a National Plan for the development of agriculture and industry such as might have provided the criteria necessary for assessing the relative importance, from the national point of view, for particular groups of imports. A further problem arises from the fact that even if agreement could be reached as to the relative priorities of different heads of imports, it would not be always possible to measure the magnitude of the relative preferences on purely *a priori* considerations. The priorities to be attached to the different items in the Import List will, therefore, depend on a detailed enquiry as to the part that each of them plays in the economy of the country. If we were to generalise, we would say that

Factors Determin-
ing Priorities in
Import Control.

the factors determining the priority-rating of a particular import commodity are broadly as follows :-

- (a) first, the end-use of the commodity, i.e. the nature of the demand which it satisfies. If it is capital goods, the nature of the productive process in which it is likely to be employed; if it is consumer goods, the nature of consumption demand it is likely to satisfy; and similar considerations in the case of other commodities;
- (b) secondly, the time that is likely to be taken for the end-use to be consummated. For example, if an essential commodity which is very high up in the scale of preference cannot be utilised in the near future for lack of other complementary commodities or facilities, it will probably carry a lower import priority than a semi-essential article, which can be utilised for production or consumption immediately after it is imported; and
- (c) thirdly, the domestic availability of the commodity with due regard to quantity, quality and price.

43. Before we proceed to consider the bearing of these general principles on the main heads of imports, we should like to dispose of an important issue, which arises from the principle suggested

Import Control
and Protection
of Indigenous
Industries.

in para.42(c) above, viz. the extent to which import control should be used to protect domestic industries.

We received a great deal of evidence on the subject and had also the benefit of the views of the Fiscal Commission before us. On the issue of policy, the Fiscal Commission observed that for the purpose of

protection to domestic industries, quantitative restrictions should not be ordinarily used in normal cases, although temporary quantitative imports would be justified if *abnormal imports* provided a threat to indigenous industries. Our views on this subject are based on general grounds of policy and not on any international commitments or obligations. It seems to us essential, in the interest of the community as a whole, that an impartial enquiry by a quasi-judicial tribunal like a Tariff Board should precede the grant of protection to an industry. But in the context of our prevailing shortage of foreign exchange the terms in which this question is sometimes posed appear to be somewhat unreal. As the Federation of Indian Chambers of Commerce & Industry observes -

"By its very nature, import control has to be discriminative in the sense that imports of all the commodities and articles cannot be slashed to the same extent in order to balance the anticipated export receipts *minus* other normal requirements. There has to be a list of priorities and goods and articles are bound to be allocated quotas according to that list. In framing the list of priorities, certain considerations have to be borne in mind, and it is obvious that, whether the commodity or article is being produced at home or not, and if so, to what extent, is bound to be one of the most important considerations for fixing up the list of priorities."

We endorse this view, but would add that the quality of domestic production, no less than its quantity, and the price at which a commodity is sold should be equally important considerations for determining the priority to be accorded to the import of competitive articles. We therefore recommend that as long as the balance of payments difficulties exist the import policy of Government should be so framed and administered as to safeguard the balance of payments position with due regard to output, quality and the price of

indigenous products. The problem of practical policy is to ascertain in every individual case, where a conflict between the claims of domestic producers and importers may arise -

- (a) whether the domestic industry produces the commodity in sufficient quantity to meet domestic needs; and/or
- (b) whether the quality of domestic production conforms to such minimum specifications as may have been laid down for the commodity or as may be acceptable to the trade;
- (c) whether the unit price of the commodity is reasonably competitive in the circumstances of manufacture in this country. In the case of protected industries, an additional allowance will, no doubt, have to be made for the quantum of tariff protection granted to them.

In regard to commodities which have been the subject of tariff enquiry, some of these basic facts may not be difficult to ascertain but may require revision to bring them up-to-date. In these cases, it would help Government to determine their policy if the periodical review of protected industries foreshadowed in the Government of India's (Ministry of Commerce) Resolution of 6th August, 1948, could be undertaken according to a systematic programme and completed within a reasonable period of time. In regard to other commodities, the relevant facts about the indigenous industry should be collected by the Development Branch of the office of the Director-General of Industry & Supply and then placed for final consideration before the Trade Panels consisting of representatives of domestic producers, importers and consumers which we propose elsewhere. It is on the basis of these facts that import priorities in the case of articles which compete with domestic products are to be determined. The priorities thus

fixed should not be varied except after similar consultations with the interest concerned. It follows from our general approach to this question that when the claim for an industry for protection is under investigation by the Tariff Board, there should be no sudden change in the import policy concerning that commodity, either by way of relaxation or restriction, without consultation with the Tariff Board.

44. We understand the following *ad hoc* order of Critique of priorities is observed in the present Existing Priorities. import licensing policy:-

- (a) Raw materials,
- (b) Capital goods,
- (c) Essential consumer goods, and
- (d) Non-essential goods.

The evidence before us showed that while there was general agreement as to the relative importance of these broad categories, opinion was divided as to their definition and contents. For example, doubts were expressed as to whether all the items falling under the different serials mentioned in the Capital Goods Licensing Scheme were entitled to receive equal priority with raw materials or a higher priority than essential consumer goods. Similarly, a question was raised if raw materials for non-essential or luxury industries should receive priority over essential consumer goods. We do not propose to enter into a detailed examination of these criticisms of current priority policy but recommend that the entire subject should be examined afresh by the Ministry of Commerce, in consultation with the Ministry of Industry & Supply, the Planning Commission and such other authorities as may be concerned. The results of this review should then be discussed at a special meeting of the Import

Advisory Council or after *ad hoc* consultation with the representatives of trade and industry. In the light of this discussion, a revised order of priorities should be finally drawn up. In this connection, we suggest that (a) the order of priorities for imports should, as a rule, follow the priorities of agricultural and industrial development, and (b) the general principles which we have enumerated in para. 42 may be borne in mind. Our tentative conclusion is that during the next two years at any rate the order of priorities should be broadly as follows:-

- (a) Raw-material for existing industries, including semi-manufactured raw materials.
- (b) Spare parts and accessories, for existing industries.
- (c) Machinery and equipment essential for agricultural production.
- (d) Plant and machinery for replacement or the balancing of the existing capital equipment for industries.
- (e) Consumer goods essential to the life or health of the community.
- (f) Essential consumer goods other than those mentioned in (e).
- (g) Machinery and equipment required for the expansion of existing industries or for other schemes, where the withholding of imports is likely to hold up immediate increase in production or to add to costs already incurred.
- (h) Machinery and equipment necessary for the establishment of other industries.
- (i) Non-essential goods.

We need hardly add that the above order of priorities applies as much to Government purchases from abroad as to commercial imports, and would recommend that an early scrutiny of Government purchases now made from that point of view be undertaken after such consultation with trade and industry as may be necessary.

45. A significant feature of this list is the comparatively low priority assigned during the next two years to capital goods as such and specially to capital goods that might be required for new industries, not included in any approved plan of development. A few words may be necessary to explain this suggestion.

The main reasons which have induced us to make this suggestion are as follows:

(a) *first*, the imperative necessity, during the next two or three years, of stepping up agricultural and industrial production upto the maximum of the present installed capacity. This can be achieved only by providing agriculture and industry with their essential requirements,

(b) *secondly*, capital goods are, by and large, expensive items in the import list and account for a sizeable portion of the total foreign exchange budget. In the short-period it is, therefore, of the utmost importance that only such capital goods as contribute directly to agricultural or industrial production should be imported. Having regard to the rapid depletion of India's sterling balances, and the consequent declining support from this source to the country's foreign exchange budget, the need for economy in the import of expensive capital goods and their planned utilisation has become urgent;

(c) *thirdly*, statistics of imports show that the capital goods imported during the last four years have not resulted in commensurate increase in production. It is, therefore, essential that circumspection should be exercised in the import of capital goods. As a matter of interest, we append below a table indicating the detailed distribution of "capital goods" imported from 1st April 1946 to 31st March 1950.

TABLE 4 - *Composition of Imports of Capital Goods
from 1st April, 1946 to 31st March, 1950*

| | (In crores of rupees) |
|------------------------------------|-----------------------|
| Prime movers other than Electrical | 34.07 |
| Electrical Machinery | 40.46 |
| Agricultural Machinery | 10.30 |
| Aerated Water Plant and Machinery | .11 |
| Boilers | 15.09 |
| Boot and Shoe-making Machinery | .33 |
| Tanning and Leathercuring | .14 |
| Machine Tools | 11.52 |
| Other Metal-working Machinery | 2.23 |
| Mining | 3.62 |
| Oil-crushing | 2.18 |
| Paper-Mill Machinery | 2.95 |
| Pumping Machinery | 5.46 |
| Refrigeration | 4.70 |
| Rice and Flour Machinery | 1.16 |
| Sewing and Knitting Machinery | 6.2 |
| Sugar | 4.77 |
| Tea | 2.32 |
| Cotton Textile Machinery | 32.67 |
| Jute Machinery | 7.76 |
| Others | 9.86 |
| Typewriters | 3.30 |
| Other Machinery | 62.08 |
| Printing Presses | 5.55 |
| Belting | 7.25 |
| Total | <u>276.60</u> |

SOURCE: "Eastern Economist", September 1, 1950; p. 335.

46. A qualitative order of priorities, by itself, does not, however, solve the problem of distribution of foreign exchange resources. It needs to be embodied in specific exchange allocations or "monetary ceilings" as they are called, for particular commodities before the priorities can be effective. This is a task which can be satisfactorily performed only after a detailed examination of the relative claims of competing imports, in the light of the general principles adumbrated in paras. 43 and 44. We are not satisfied with the administrative level at which the detailed monetary ceilings are now fixed and recommend that the same authority which determines the priority groupings must also fix the exchange allocations necessary to give effect to the priority decisions. In other words, this is also a task which, in our judgment, must be handled by the Economic Secretaries concerned or by their representatives not below the rank of Joint Secretaries. We further suggest that these exchange allocations should be scrutinised from time to time as part of the periodical review of the working of licensing policy in respect of particular commodities by duly constituted trade panels, which we have suggested elsewhere in the Report. For it is only when these allocations have been tested by the relevant market criteria that their adequacy or otherwise can be determined. The necessity for the exercise of care and discrimination in the fixation of exchange allocations and their periodical review by duly constituted trade panels is demonstrated by the chart at Appendix "E", which compares the exchange allocations for a number of commodities with their actual imports during the same and the following licensing periods.

SECTION B - LICENSING POLICY

47. Once the working principles relating to import priorities have been fixed, the next problem would be how to regulate the licensing of imports *vis-a-vis* different currency blocks, different interests and different commodities. Before, however, we pass on to these problems, we should like to say a few words about the respective fields of OGL's and licensing.

48. OGL's are openings provided in the system of import trade control which serve the double purpose of reducing the burden of work on the import control organisation and of rendering the movement of some approved categories of imports as easy as possible. Consequently, there is a kind of unconscious bias in administration in favour of OGL's. Nevertheless, unless OGL's are carefully compiled and regulated, the object for which they are issued may be endangered, resulting in frequent changes in licensing policy. In the course of our enquiry, witnesses appearing before us often proposed the inclusion of particular articles in OGL's; but on cross-examination invariably admitted that there were limits to this process, and in most cases, free-licensing, if it was really free, would meet the needs of the cases they had in view. We have carefully considered the matter and our conclusions are as follows:-

- (i) In regard to *existing* OGL's, we consider that all of them including OGL XX should be continued indefinitely subject to the condition that the clearance of goods against OGL's through the Customs will be permitted only after the importers have filled in a prescribed form similar to the G.R. form in the case of exports, containing some particulars required purely for statistical purposes.

The current OGL's are No. IV, XVI, XVII, XVIII, XIX and XX - the most important being OGL XVI, which permits the import of several categories of machinery and parts from soft currency countries and OGL XX which permits the import of many basic raw materials, some from dollar and others from soft currency areas. It will assist public understanding of import policy if all these OGL's, except No. IV were consolidated into one comprehensive OGL, which would remain a firm document, containing a full list of the imports for which no licences would be required.

As regards OGL IV, we would recommend that in so far as the provision about the replacement of defective or damaged goods is concerned it should be amended, if necessary, in order to bring it into line with the normal customs procedure, and in respect of the provision relating to import of samples and advertising matter, the present ceiling should be enhanced from Rs. 150/- to Rs. 500/-. As for OGL XX, if Government accept our recommendation regarding its extension, we would suggest that its contents should be carefully reviewed with a view to ensuring that --

- (a) commodities available in acceptable quantity, quality and price in this country are not imported. In the course of our enquiry, complaints were made about the inclusion in this OGL of items like, Turkey Red Oil, Tallow, Mutton, Desizing agents, etc., which we were given to understand were available in adequate quantities in this country;
- (b) all important basic materials in short supply are included in it.

The possibility of transferring some Schedule "B" items to Schedule "A" should also be examined.

We would further recommend that the working of the current OGL's should be reviewed immediately in consultation with the trade interests concerned, the Import Trade Controllers and the Collectors of Customs at the three main Ports before the recommendation about their indefinite continuation is given effect to. We consider this examination necessary as a preliminary to the revised licensing policy which we expect will follow our recommendations.

- (11) In regard to future policy about OGL's, we have considered several suggestions made to us about raw materials and capital goods. Our views on the latter have been already expressed above. We do not contemplate the extension of OGL's to cover all capital goods. This is neither necessary nor desirable to the present balance of payments position. Similarly, it will be impracticable, and, indeed, in some cases undesirable to include all raw materials in OGL's. Instead we suggest that both in respect of high-priority capital goods and raw materials of existing industries, adequate exchange allocations should be provided, and subject to these monetary ceilings licences to actual users and established importers should be freely issued. It will be impossible for Government to ensure reasonable over-all stability in foreign exchange budgeting and thereby to secure similar stability in our import control policy if too many items which consume a large portion of the foreign exchange budget are placed on OGL's.

As long as the balance of payments difficulties continue, we would, therefore, recommend that Government policy should, in future, concentrate on--

- (a) the maintenance of existing OGL's;
- (b) the gradual liberalisation of imports of licensable articles with a view to their "free licensing", if necessary, rather than placing them on OGL's. If, however, in view of the experience of the work of free licensing policy which we have recommended, Government consider that they may be in a position to replace some of the items covered by free licensing by OGL's, they may take necessary steps to do so provided they are satisfied that they will be able to maintain them on OGL for a sufficiently long time. It is no use placing a commodity on OGL unless it can be maintained on it for some considerable time.

As we have already said, all OGL's should be conditional in the sense that before the importers clear the goods, they must fill in a prescribed form

at the Customs, containing details that will enable the CCI to keep a continuous check over the working of the OGL's.

49. Notwithstanding the recent improvement in the balance of payments and exchange situation of the Sterling Area, of which we saw only some perfunctory reports in the local press in connection with the Commonwealth Finance Ministers' Conference in London, we assume that economy in dollar imports will continue as before, and that there would be no modification, much less reversal, of last year's decision by all Sterling Area countries to achieve and maintain the 25% cut in dollar imports. If this surmise proves correct, despite the recent improvements in the Sterling Area's gold and dollar reserves, the current discrimination against dollar imports will probably have to be materially continued. However much we may deplore this fact, it will be clearly impracticable at this juncture to follow any other policy. But in our view, India will be justified in the altered circumstances to press for a larger measure of convertibility for a portion of her sterling releases and if her efforts succeed, to that extent the rigours of the present discrimination against dollar imports may diminish.

As regards the present distinction between the different countries within the hard and soft currency areas, we understand licensees are generally permitted, on application, to change over from one country to another within the same currency block. Recent currency developments in Europe and elsewhere, and the participation of the UK in the European Payments Union have largely obliterated the operative distinctions for foreign exchange purposes between sterling on the one hand and the other European and non-European currencies in which India is interested

for purposes of trade, on the other. We therefore recommend that licensing should be only in respect of the two currency blocks, *viz.*, hard currency (which will include the USA, other American Account countries) and soft currency (including the Sterling Area but excluding South Africa and Pakistan) countries. Licences issued for each bloc should be available at the option of the licensee, for imports from any country within a particular bloc. We are advised that our commitments in respect of bi-lateral trade agreements would not militate against the implementation of this proposal, but if in particular cases they do, we should be well advised to go slow with some of these agreements. In any case, most of these agreements will expire in the course of 1950/51, and it should not be difficult to revise them, if necessary. We also recommend that licences for hard currency countries should be freely convertible into those for soft currency areas, while the conversion of the latter into the former will be permissible only according to the general licensing policy in regard to hard currency areas that may be adopted as a result of the recent Commonwealth Ministers' Conference. In special cases, however, applications for the conversion of soft currency licences into hard currency ones may be considered on merits.

50. We found widespread appreciation in the country of the recent extension of the period of licence from six to twelve months in respect of a large number of commodities in the Import Control Schedule. In our view, there is nothing in the domestic or international situation which precludes the extension of this period to the whole range of licensable articles. The Government of New Zealand adopted the yearly licensing period as early as 1941, and it was only in 1949 that the six-monthly

period of licensing for hard currency countries was introduced as part of the measures taken to reduce dollar imports. We consider that with the recent improvement in the Sterling Area's gold and dollar reserves, the same purpose may be achieved by laying down, if necessary, a condition in the licences for hard currency areas that not more than 50 per cent. of the value of the licence should be used to finance imports from hard currency countries in any one half year. If Government feel that a similar condition should be imposed also in licences for imports from the soft currency countries, they may do so. Subject to such a condition, which should be laid down only if Government consider it essential, we recommend a yearly licensing period for all licensable imports.

In regard to Capital Goods and Heavy Electrical Plants, the period of licence should, however, continue to be three years, with only one revalidation at the end of six months. In view of the anticipated lengthening in delivery periods, which seems inevitable in the wake of the rearmament drive in the U.S.A., U.K., and some of the Western European countries, requests for revalidation are likely to be more frequent than hitherto. We, therefore, suggest that applications for Capital Goods and Heavy Electrical Equipment should not be required to be revalidated except for once after the first six months, and that applications for revalidation of such licences should be normally disposed of in the Ports.

In order to give effect to our recommendation about the yearly licensing period, it will be necessary to make some adjustment in the licensing policy of the immediate future. There are two ways in which this can be done. Either the yearly licensing period may commence from 1st January, or from 1st July, 1951. In the former case, the articles which

were licensed for twelve months in the July-December 1950 period will have to be licensed only for six months in July 1951, whereas in the latter case the articles which were licensed for only six months in the July-December 1950 period will have to be licensed for another six months from January to June 1951, before the yearly licensing period comes into force. We leave it to Government to decide which of these alternatives they would prefer, but would suggest that they must explain their policy in this respect to the public at the earliest possible opportunity, so that there may be no misunderstanding of Government's intentions and no confusion may be caused by the transitional arrangements. In any case, it is our view that the yearly licensing period should come into force with effect from the 1st July, 1951 at the latest.

51. Broadly speaking, there are two ways in which exchange quotas fixed for particular industries can be distributed - either on the principle of first-come first-served or to approved categories of licensees, on the basis of well-defined criteria. From the very beginning of import control administration, India, in common with the countries of the Sterling Area, has followed the latter method. We consider that, in the circumstances of this country, this method, notwithstanding the problems of conflicting interests that it creates and the administrative burden that it imposes on the licensing authorities is much more suitable than the rigid principle of first-come first-served. Under this procedure, claimants for licences are divided into the following categories:-

Distribution
of licences

- (a) Actual Users, i.e., those who require the imported commodities for use as raw materials or accessories in agricultural or industrial production,

- (b) Established Importers, and
- (c) New-comers, who are defined as those who are *dealing* in the line of goods which they seek to import, but nevertheless do not qualify as established importers or actual users.

The principles on which exchange allocations are made among them are laid down in the detailed licensing instructions for particular commodities. We endorse this policy, subject to the qualification that no new-comers should qualify for the category of established importers for a period of at least two years with effect from January 1951, when the position in this respect should be reviewed. We make this recommendation to meet a genuine grievance on the part of established importers. They complained, not without reasons, that while their position had been already seriously weakened by the admission of a new class, *viz.*, "Actual Users" as a recognized category in import trade, it was being further undermined by the additions to their rank by the continuous influx of new-comers with the result that the quotas admissible to them were steadily falling. Many cases were brought to our notice where the value of the licences issued to new-comers was considerably higher than that of the licences issued to established importers, and the progressive decline in the value of quotas admissible to the latter threatened to squeeze them out of the import trade in particular lines. Our attention was drawn to the instructions contained in paragraph 28 of the Public Notice issued on the 15th June 1950 - No.14-ITC (P.N.)/50, under which imports made under licences granted to new-comers in accordance with the licensing policies announced in respect of the licensing periods July-December 1949 and January-June 1950 would be deemed to be imports made in the financial year 1949-50, even if they were in fact made after

the 31st March 1950. This provision will enable all new-comers, who were granted import licences upto the end of December, 1950, to qualify as established importers. In these circumstances, we feel that our recommendation will not cause any appreciable hardship to new-comers, who, no doubt, continue to qualify for import licences in their own right as new-comers in those lines of the import trade in which application from them are invited. The proposal will have the added advantage that it will help to simplify the licensing procedure for established importers to which we make a reference later in this Report.

52. There was some criticism of the policy of issuing licences to actual users to the full extent of their requirements, but we endorse the current policy on this subject. We realise, however, that this policy has already affected some normal channels of trade and in some cases the business and occupation of traders. With the facilities which we have recommended for the transfer of actual user licences to established importers in para. 53 we trust that it will be possible for actual users to use the services of established traders more freely than they have hitherto done. The object of granting licences to actual users is not to encourage them to set up in business as merchants but to ensure the supply of essential raw materials and accessories to manufacturing units at reasonable prices. Although we approve of the general policy of granting licences to actual users, we should like to bring to the notice of Government the cases of some particular commodities to which our attention has been drawn, e.g., raw cotton. It has been suggested that in a commodity of this nature the national interest may probably be served better by a policy of imports through established cotton importers. There may be a few other commodities in which similar considerations may apply. We

suggest that these few special cases should be considered by Government in consultation with the representatives of importers and manufacturers concerned. Further it is essential that actual users should make full use of the commodities which they are permitted to import on their own account for increasing production in their farms or factories, as the case may be. It would be indefensible if they did not utilise these imports for their own production but competed with the established importers in the open market. We, therefore, recommend that actual users must submit a return to the D.G.I. & S., with a copy to State Directors of Industries, showing the commodities imported against their licences every six months. The D.G.I. & S. and/or the State Directors of Industries, on their part, should carry out a test audit of these returns, on an approved basis, and report the results to the CCI, with their comments, as soon as possible after the receipt of the returns, and in any case within a period of three months. We are aware of the existing condition in the licences issued to actual users, which enjoins the use of the imported commodities only for their own purposes, but the evidence before us showed that no effective steps had been so far devised, much less enforced.

In this context, we would suggest that Government should also look into the question of the definition of actual users. Unless this definition is carefully framed and strictly restricted to *bona fide* consumers of such industrial raw materials and accessories as are required for the manufacture of finished products, there is a risk that through a process akin to "double counting" in statistical computation, raw materials may be unnecessarily used and to that extent the country's foreign exchange resources needlessly wasted.

53. We are aware of the rigidity in the distributional trade created by the compartmentalisation of imports through different classes of importers. It will help to reduce this rigidity and to encourage the freer flow of trade if actual users are permitted to take advantage of the services of established importers to import the goods covered by their licences. We recommend that this may be done by a suitable modification of the present policy regarding the issue of letters of authority as laid down in Public Notice No. 51-ITC (P.N.)/50, dated 10th July, 1950. The concessions allowed to indenting firms under this Public Notice should, in our view, also extend to established importers, i.e., quota-holders.

54. In order to reduce administrative delays and to remove one important handicap in the way of industrial production in this country, we recommend a liberal extension of the facilities now granted under paragraph 46 of the Public Notice dated 15th June, 1950, i.e., facilities regarding the issue of bulk licences to some actual users. Indeed, we do not see any insuperable objection to the issue of such licences in favour of most of the *organised industries*. We are not unaware of the possibility of abuse of this concession, but the advantages of this procedure seem to us to outweigh the objections to its extension, and the machinery for effective enforcement of the relevant condition of actual user licences which we have suggested in the previous paragraph should greatly reduce the risk of abuse of this concession. Our specific proposals under this head are two, viz.:

- (a) first, the extension of the present facilities to all those organised industries which depend on the import of a large number of raw materials and accessories and most of which are not produced in this country;

- (b) secondly, whenever these industries are under the control and supervision of well-established and effective Associations, licences should be issued to the Associations in preference to the individual firms.

We understand that the principle has been already recognised by Government in the case of a few industries, e. g., the artificial silk industry, and suggest that as a first step, the principle may be extended to the following industries, in consultation with the Associations concerned:

- (a) the Jute Industry;
- (b) the Paper Industry;
- (c) the Cotton Textile Industry;
- (d) the Chemical and Pharmaceutical Industry;
- (e) the Coal Industry.

We trust that the concessions which we now recommend for the well-organised industries will ensure adequate supplies of essential raw materials and accessories to them. These industries, in their turn, have an obligation to the rest of the community, and we hope they will continue to make the fullest use of the existing channels of trade to obtain their supplies through them and will not take advantage of the facilities offered to them to set up in business either in their own or in different names as rival traders. We consider it important that the issue of bulk licences to well-organised industries should disturb the normal channels of trade as little as possible and we suggest that the working of this policy should be reviewed by Government after a year. If Government find that the existing channels of trade have been gravely dislocated and the imports required by these industries are being obtained on terms which compare unfavourably with those on which established importers used to obtain supplies for actual users, it should be open to Government to revise this policy in due course.

55. The definition of established importers does not present the same difficulty as (b) Established importers that of actual users. It is only the person who has imported in his own name or has secured an import licence as a quota-holder, who is an established importer. In the case of established importers, the basis on which licences are issued is the best year's import by the applicants. Having regard to the exchange allocation available in each licensing period, quotas are fixed as *percentages* of the best year's imports. Since established importers are free to choose for this purpose any one year between 1937-38 and 1949-50, the basis adopted for the allocation of quotas to established importers has been criticised on the following two grounds:

- (a) First, it has been complained that this basis stereotypes the pre-war pattern of established trade, and in some lines of trade works to the detriment of the nationals of the country.
- (b) Secondly, it has been argued that the present basis operates harshly against the struggling small firms engaged in import trade, and offers no incentive to them either for increased efficiency or for an extension of the scale of their business. These drawbacks of the present system must be admitted. But import control cannot and should not be used to rectify the initial disparities in the position of individual firms or to buttress up the weaker units in the import trade, or, indeed, to effect any major changes in the existing structure and pattern of trade.

56. Now that import control has been in force for nearly four years, all active established importers must have already qualified as quota-holders. It does not, therefore, seem necessary to let the basic qualifying period continue to remain as long as at present. We recommend that, in future, the basic period for established importers should be the period from the

1st January 1945 to the 31st December 1950. This will not, however, affect the quota certificates of existing established importers. The reduction of the qualifying period, as proposed by us will, we trust, appreciably reduce the burden of work on the Import Trade Controllers.

57. We further recommend that, as in respect of actual users, established importers should be given the facility of consolidated licences, but in their case the concession should not include the right to transfer the quota allotted for one commodity to another commodity included in the consolidated licence, unless the commodities fall under one serial of the ITC Schedule. We recognise that this method will be more expeditious than the present system only if the procedure for the issue of licences is simplified in the manner indicated elsewhere. Some preliminary work may be necessary for this purpose, but this should be taken in hand without delay.

On a point of detail, we suggest that the minimum amount for which a licence should be issued to an established importer should be Rs. 1000/-.

58. One of the most difficult problems before us has been the question of new-comers. As a (c) New Comers distinct category in import control, they came into being in 1946-47, and have continued to exist since then. We heard a great deal of evidence, sometimes conflicting, on this controversial subject, and many different views were expressed in course of our enquiry.

We recognise that the issue is complicated by the fact that it cannot be adequately dealt with on purely administrative and economic grounds. Thus it has been argued before us that in the circumstances of the present, when a substantial portion of our import trade is under State control, it is hard to defend the wholesale

denial of opportunities for trading in controlled items to large groups of people merely because they did not engage in such trade in the past. This line of reasoning is understandable. At the same time we feel that in the interests of the orderly development of India's foreign trade, it is essential that only people who possess the minimum requisite qualifications for this purpose should alone be entitled to engage in this specialised activity. Opportunities for trading by established importers or new-comers must conform to the overriding requirements of national policy. In this view, we endorse the current policy of Government relating to new-comers, subject to certain modifications. Incidentally we note that the recent promulgation of OGL XX has substantially enlarged the scope for new-comers, and any further liberalisation in import trade will automatically be to their advantage. As further encouragement, we recommend that the list of items for which new-comers are eligible in future licensing should be kept stable. At present, new-comer applications are invited in those cases where the monetary ceiling is large enough to accommodate both actual users and established importers upto 100% of their requirements. We suggest that, in future, in respect of these items any excess in the monetary ceilings may be shared between established importers and new-comers.

59. In this connection our attention has been drawn to the requirements about bank certificates regarding turn-over and proof of income tax payment, which new-comer applicants must produce before their applications can be considered. As regards the bank certificate about an applicant's turn-over, we were impressed by the inadequacy of this test and suggest that it be replaced by a recognised Auditor's certificate. This will require the maintenance of books of accounts by new-comers according to the prescribed form, but this

can be hardly regarded as an undue burden. It is in the interest of traders - particularly of those who wish to engage in foreign trade - as well as of economic development of the country that sound practices about the maintenance of trading accounts should be encouraged.

In regard to incometax, we recommend that the income-tax limit in the case of new-comers be reduced to Rs. 250/- per annum.

The present basis for the calculation of quotas for new-comers is embodied in the following formula :-

$\frac{C}{T} \times ta$ where C = the total monetary ceiling fixed for a commodity.

T = the sum of (a) incometax paid by all new-comer applicants, and (b) where no income-tax is paid, the income-tax equivalent of the turn-over figures as certified by the Bank.
 ta = the amount of income-tax paid by particular applicant or where no income-tax is paid, the income-tax equivalent of the applicant's turn-over.

(For the purpose of this formula 1% of the turn-over is equated with Re. 1/- income-tax paid).

It has been complained to us that the present formula unjustifiably favours those new-comers who pay high income-tax regardless of their interest or stake in the particular line of business, which is relevant for the purpose of their claim for an import licence. We consider this criticism valid, and recommend that allotments should be based not on the amount of income-tax paid or the income-tax equivalent of the turnover figures as certified by banks, but on

the applicant's *turnover in the particular or allied line of domestic trade*, in respect of which he seeks an import licence, as certified by a recognised auditor. This does not, of course, mean that income-tax verification certificates would not be required; they would, however, be required under this proposal only for establishing the status of the applicant.

We also recommend that, in future, the maximum and minimum limits for which a licence may be granted to a new-comer should be fixed at Rs. 25,000/- and Rs. 1,000/- respectively for articles falling under one serial of the ITC schedule. The present ceiling is unduly high for a new-comer.

60. Having examined some basic problems of licensing policy we now proceed to consider the question of licensing instructions for particular commodities. These instructions are issued from time to time. The object of these instructions is to supplement the general licensing policy in its application to particular commodities. These instructions cover several issues some of which are mentioned below :-

Licensing
Instructions
for parti-
cular
Commodities.

- (a) fixation of the total volume of imports for particular commodities;
- (b) distribution of import licences among particular groups of "Actual Users" or "Established Importers" within the limits of the quota admissible to them;
- (c) conditions subject to which "Actual Users" or "Established Importers" may import and dispose of the imported articles;
- (d) foreign sources of supply from which imports may be obtained;
- (e) prohibition of import of specific items under particular serials, etc.

Among the serious defects of our licensing policy are

- (i) the delay in the issue of licensing instructions for specific commodities, and
- (ii) the frequent changes in them even during a licensing period.

These instructions continue to be issued in driplets long after the Public Notice relating to the principles governing the issue of licences for the particular period has issued and even after the licensing period has already far advanced, and not infrequently modify or reverse the instructions already issued. Few aspects of import control administration came in for such severe criticism as this and we regret to have to say that much of this criticism is well-founded.

61. The delay in the issue of instructions is (i) ^{Delay in} _{issuing} _{instructions.} generally due to the inability of the Ministries concerned - generally the Ministries of Industry & Supply, Health and Commerce - to formulate policy in good time. We are unable to see any adequate justification for this delay. The Ministries concerned must initiate and progress their consultations in such a way that the licensing instructions can issue simultaneously with the Public Notice containing the general principles of import licensing for the forthcoming period. Our recommendation for a twelve-monthly period of licence should facilitate the timely formulation of policy for particular commodities. Similarly, we would strongly deprecate frequent changes in licensing instructions - particularly changes that now occur during a licensing period except where they are necessary.

- (a) to correct obvious and gross mistakes, and
- (b) to meet an unforeseen development which requires immediate attention, and cannot be left over for rectification after the licensing period is over, without grave damage to the country's economy.

In no other circumstances should licensing instructions be changed during the currency of a licensing period, and representations for such changes from trade and industry, if any, should be referred to the trade panels concerned and any change that may be considered necessary should be introduced only in the subsequent licensing period.

62. Frequent changes in licensing instructions
- (ii) Changes have been due to several reasons, but most in licensing of them are traceable to inadequate knowledge of the facts and conditions of particular trades at the disposal of the sponsoring Ministries, which advise the Chief Controller of Imports and the Ministry of Commerce in framing their licensing instructions. In a subsequent Chapter we have stressed the need for technical assistance to the Chief Controller of Imports, but it is impracticable to try and run import control organisation with experienced personnel of the requisite standing and status drawn from numerous different trades and this would not be necessary if the Chief Controller of Imports and his senior staff can keep themselves in frequent touch, as they should, with the representatives of trade and industry at the principal Ports. In other words, what is needed is for the Ministry of Commerce and the Chief Controller of imports to have access to additional sources of technical information relating to the country's principal trades so that the Ministry of Commerce which is ultimately responsible for the issue of licensing instructions may be in a position to supplement the advice which it normally receives from the sponsoring Ministries. To give effect to this proposal, we recommend that the Chief Controller of Imports (being substantially relieved of licensing work under our proposals) accompanied by suitable

officers of the more important of the sponsoring Ministries (such as I. & S., Health etc.), wherever possible, should periodically meet duly constituted panels of the import trades and industries at the Port Towns and also hold consultations with the Port Import Trade Controllers and the Customs Authorities at least once a quarter. The Panels may also meet at such other times as the Members may desire. These meetings and informal discussions should enable him -

- (a) to undertake review of the working of import control at the Ports;
- (b) to dispose of difficult administrative and policy questions on the spot;
- (c) to assess the effects of current policy on trade and industry;
- (d) to find out the changes in the policy that would be needed before the next licensing period;
- (e) to collect the relevant facts about the commodities under licensing and the classes of traders engaged in it.

For this purpose, a large number of trade panels will have to be constituted, the panels should be small and consist of representatives of importers, local manufacturers, State Departments of Industries and of general consumers. These Panels will be distinct from the Port Licensing Advisory Committees appointment of which we recommend elsewhere, and will be concerned mainly with the licensing policy in respect of specified commodities. The Panels should be so formed that they include most of the important items in the Import Control Schedule which are subject to licensing. We mention the following list only by way of illustration and suggest that it

should be carefully examined by the Chief Controller of Imports and the Ministry of Commerce:-

- (I) Panel 1 : Food, Drinks and Tobacco.
- (II) Panel 2 : Ferrous Metals.
- (III) Panel 3 : Non-Ferrous Metals.
- (IV) Panel 4 : Machinery & Engineering Goods.
- (V) Panel 5 : Chemicals, Drugs, Medicines and Surgical Instruments.
- (VI) Panel 6 : Textiles.
- (VII) Panel 7 : Motors and Vehicles.
- (VIII) Panel 8 : Earthenware, Glass and Glass-ware.
- (IX) Panel 9 : Jute Mill Stores & Machinery.
- (X) Panel 10 : Textile Mill Stores & Machinery.
- (XI) Panel 11 : Paper, Paste Board and Stationery.
- (XII) Panel 12 : Oils and Greases
- (XIII) Panel 13 : Hardware, Nickel Manufactures, Paints, Painter's Material and Photo Goods.
- (XIV) Panel 14 : Arms & Ammunition.
- (XV) Panel 15 : Miscellaneous.

SECTION C - LICENSING PROCEDURE

63. The scheme of reorganisation that we visualise
Proposals for Simplification of Licensing Procedure and Decentralisation of Licensing Powers. contemplates the simplification of licensing procedure over as wide an area as possible and the decentralisation of licensing work to the Ports to the utmost extent possible, so that the Chief Controller of Imports may have time to supervise licensing work, study licensing policy, and review the effects of the working of current

policy on trade and industry. With a view to achieving these objects, we make the following proposals:-

(i) We recommend that the licensing authority for all categories of imports (*i.e.*, Actual Users, Established Importers and New-comers) and for all applications for imports, *except the following*, should be the Import Trade Controllers at the Ports:-

- (a) applications for Capital Goods and Heavy Electrical Plant under the special schemes for these commodities in force. We would, however, recommend that the scope of these special schemes should be limited to applications connected with new projects.
- (b) applications for imports against Government indents certified by D.G. I & S., D.G. Health Services, etc.
- (c) applications from Railways and Government Departments, and quasi-public authorities and State Governments.
- (d) applications for a few specialised items, *e.g.*, fertilisers, tractors, motor parts, etc., which are covered by special policy decisions at the Centre.

Every effort should be made to complete the administrative arrangements needed to give effect to this change as early as possible and not later than the 31st May in any case. The staff needed at the Port Offices should be obtained by the transfer of officers and staff that will be rendered surplus at the headquarters.

(ii) We propose that a standing inter-Ministry Committee for Capital Goods and Heavy Electrical Plant licensing should be constituted for a period of one year at a time and that the personnel of the Committee should consist of officers of the standing of Directors in the Office of D.G. I & S. or permanent Deputy Secretaries in the Secretariat with as little change in incumbency as possible. This Committee

should consult technical experts as and when necessary and in the case of heavy mining machinery and equipment, copies of the applications should be routed through the Chief Inspector of Mines and not D.G. I. & S. This Standing Committee should meet at least once a week. As we have already said, we consider it necessary that the scope of the Capital Goods and Heavy Electrical Plant schemes should be limited to new projects, as was the original intention, leaving the applications for Capital Goods and Heavy Electrical Plant required for maintenance and replacement to be dealt with under the ordinary procedure. This will enable Port Officers to handle a large number of applications which involve no policy decision and reduce the burden of work on the Standing inter-Ministry Committee for Capital Goods and Heavy Electrical Equipment so that it may be able to go more thoroughly into the question of policy relating to imports of Capital Goods and Heavy Electrical Plant for new projects. This will be in line with our earlier recommendation that the high priority now accorded to Capital Goods generally needs closer scrutiny.

(iii) In addition to the transfer of the bulk of the licensing work to the Ports, we recommend that the procedure for the issue of licences to Established Importers should be simplified so as to render it as automatic as possible. For this purpose, the licensing authorities should maintain two sets of permanent ledgers for Established Importers - one alphabetical and the other commodity-wise. The former should include a list of all quota-holders arranged alphabetically showing against their names --

- (a) the items in the I.T.C. Schedule in respect of which they are importers,
- (b) the best imports under these heads, and

- (c) the quota certificates granted to them under these heads.

The second ledger should contain information showing *inter alia* —

- (a) the names of the Established Importers to whom quota certificates have issued,
- (b) the total imports made by them in the best year, and
- (c) the quota percentages fixed for different licensing periods.

As soon as the quotas admissible to an established importer have been fixed, and the Public Notice regarding the principles governing the issue of import licences has been issued, the amount for which a licence would be due to him under different heads in the coming licensing period should be worked out by the licensing authority and entered in the account of the established importer in the Commodity Ledger. All that the licensing authority thereafter need do would be to await a formal application from the established importer. Under this procedure, the handling of the application submitted by an established importer would be an essentially routine matter, for the licensing authority would have merely to check up the Income-tax Verification number and the Challan certifying payment of the licence fee. Nevertheless, we consider it desirable that every established importer should submit a formal application, although as we point out later it should be possible to simplify the application form considerably.

(iv) As regards New-comer licences, we have already recommended that they will be disposed of at the Ports, and, in recognition of the local feeling strongly expressed to us, we would suggest that the estimated monetary ceilings likely to be available for new-comer importers for those items for which new-comer applications are invited should be allocated

among the three regions defined in Appendix 'Q' of Public Notice No. 14-ITC(PN.)/50 dated the 15th June, 1950, in proportion to the total import trade passing through these Ports.

We consider that it would be an advantage if informed and representative non-official opinion could be associated with the sifting and scrutiny of new-comer applications, with particular reference to the point, which always gives rise to a good deal of controversy, namely, whether a new-comer applicant is a dealer in a line of goods which he proposes to import. We, therefore, suggest that after the licensing authorities at the Ports have checked up the new-comer applications with reference to the requirements about income-tax and turn-over and satisfied themselves that *prima facie* the applicants qualify for licence, the applications should be screened by the Port Import Control Advisory Committees (the constitution of which we recommend below) with reference to the requirement that new-comers should be dealers in the line or allied line of goods which they desire to import.

(v) There are two important questions of procedure to which we would like to refer here:-

- (a) We received several complaints about unnecessary delay in the revalidation of Capital Goods and Heavy Electrical Plant licences. Once the original licences have been issued, we see no good reason why their revalidation should take time. We recognise that revalidation implies a contingent financial liability. But once Government have assumed this liability, they must be prepared to honour their commitment as a matter of course, except in a grave emergency or in the event of a sudden and grave deterioration in the country's balance of payments. In this view, we consider that all revalidation applications must be disposed of within a fortnight.

- (b) Secondly, in regard to amendment of licences, we feel that if the licensing authorities see no objection, the amendments must be agreed to within a week of the presentation of licences for this purpose, but no amendment of a licence should be permitted unless it has been examined by an officer immediately superior to the officer who issued the licence.

(vi) There was wide-spread support for the view that Import Control Advisory Committees should be established at the Ports to assist the local Import Trade Controllers in the routine administration of licensing work, and to advise them in regard to details of licensing. We agree that the Port Advisory Committees may serve a useful purpose by providing a much-needed *liaison* between the Import Controllers at the Ports and the trading community, and a meeting ground where the difficulties that the mercantile community encounter in respect of the routine administration of licensing policy may be discussed. These Committees should consist of representatives of the principal Chambers of Commerce, and meet as and when called by the Import Trade Controllers. They will be standing Committees functioning in an advisory capacity.

64. At all the principal Ports, we heard numerous Customs procedure in respect of Import Licences. complaints of delays that occurred in the clearance of imports through the Customs, whether the articles were under OGL's or covered by licences. These delays take place mostly because of difference in the interpretation of the terms of OGL's or the licences, discrepancies in the description of goods as between the I.T.C. Schedule and the Customs Tariff Schedule and rigidity in the administration of customs procedure in respect of licensable imports. These problems are largely administrative and we recommend that all outstanding issues should be discussed, in the first instance, by

the Chief Controller of Imports with the Collectors of Customs at the Ports. These exploratory talks should be followed up by a conference in Delhi at which the Central Board of Revenue and the Ministries of Finance, Commerce, and Industry should be present. A final decision on these questions should then be taken by the Ministry of Commerce and the Ministry of Finance (C.B.R.), and necessary instructions issued to the Port officers concerned.

Further, we would advise as follows on some specific issues relating to customs procedure, which were brought to our notice in the course of our Enquiry:-

(i) We consider that licensees should have the right to import goods at whichever Port they may choose, either in whole or in part, consignments although they may not have declared their intention of doing so in their application for licences. Collectors of Customs saw no insuperable difficulty in accepting this suggestion, provided suitable conditions were laid down. These may be drawn up by them in consultation with the principal Chambers of Commerce.

(ii) In regard to delays arising out of discrepancies in the description of goods as between the I.T.C. and the Customs Tariff Schedules, we recommend-

(a) As a short-term measure, that the importers should record on their applications the detailed descriptions of the articles that they propose to import, and that the import licensees should as far as possible repeat this description. It will then be for the Customs Authorities to determine the items in the Customs Tariff Schedule under which the articles fall. We further suggest that if doubts as to the actual classification of the goods still exist, they should be resolved by personal discussions between the Collectors of Customs and the Import

Trade Controllers and for this and other purposes it may be desirable to have a system of regular meetings between them on a fixed date once a week.

- (b) As a long-term measure, that a detailed scrutiny of the present ITC Schedule which is long overdue should be undertaken at the earliest possible opportunity, with a view to bringing it as closely as possible into line with the Indian Customs Tariff Schedule. A Special Officer possessing knowledge of both import trade control and customs procedure should be appointed for this purpose.

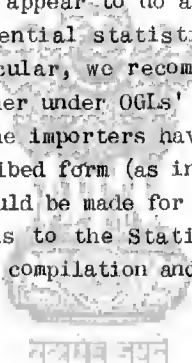
(iii) We recommend that the existing instructions about the import of goods in replacement of damaged parts should be so modified as to bring them in line with the normal customs procedure. For this purpose, as we have already said in para. 48, the provision of O.G.L. IV should be appropriately revised, if necessary. It is not necessary that there should be a special procedure for the replacement of damaged parts in respect of goods covered by the ITC Schedule.

(iv) In regard to excess imports, we recommend that Collectors should be given the powers, at their discretion to condone them, in *bona fide* cases upto a maximum of Rs. 1000/-. As for excess imports valued at over Rs. 1000/-, the cases should be referred for decision to a Standing Committee at every Port, consisting of the Collector of Customs and the Import Trade Controller. Some general instructions for the guidance of these Committees are all that is needed.

(v) We consider that the procedure for the imposition of penalties of breaches of import control regulations and the scale of penalties require early revision. We understand that the subject is already under the consideration of the C.B.R. on a reference from a Collector of Customs and hope an early decision

would be taken in the matter. We suggest that one of the objects of the proposed revision of instructions on this subject should be to permit Collectors to deviate from the prescribed scale, within limits, and to eliminate the delay which now takes place in obtaining the orders of the C.C.I. The Standing Committees at the Ports which we have recommended in the previous paragraph could also be entrusted with advisory functions in this respect.

(vi) We suggest that the import control authority should make more use of the Customs organisation at Ports than they appear to do at present in order to collect the essential statistical data required by them. In particular, we recommend that, in future, no imports whether under OGLs' or licences should be cleared until the importers have filled up a G.R. or any other prescribed form (as in the case of exports). Arrangements should be made for the immediate despatch of these returns to the Statistical Branch in the CCI's office for compilation and analysis.



CHAPTER V

PROBLEMS OF ORGANISATION AND ADMINISTRATION

SECTION A - ORGANISATION OF LICENSING WORK

65. Defects of organisation and administration

Need for
Radical
changes in
Organisation
and Adminis-
tration of
Import
Control.

loom so large in current criticisms of import control policy and procedure that even many careful observers have sometimes expressed the view that the problems of import control are primarily

administrative. The argument of the preceding chapters will have shown how this is only part of the story. Nevertheless, we are convinced that the import control organisation requires a thorough overhaul, and unless radical administrative changes are introduced no improvements in policy or procedure are likely to be effective. In the proposals that we make in this chapter, we have had the benefit of discussion not only with those representatives of trade and industry, whom their normal activities bring frequently in touch with the administration of import control at headquarters and at the Ports, but also with the senior officers of Government connected with the administration of import control in Delhi and at the Ports, and the Collectors of Customs, who though not themselves in the organisation perhaps see as much of the working of import control as the former.

66. Our proposals rest on the following basic-

Desirability of
centralising
licensing work, considerations:-

- (i) the desirability of centralising all licensing work in one Ministry;
- (ii) the desirability of transferring licensing work to the Ports to the furthest possible extent;
- (iii) the necessity for simplification of licensing procedure - particularly in the case of established importers.

We have already made our recommendations on the last two points. It remains to say a few words about the need for centralisation of licensing work. It is our view that licensing policy must be made as uniform as possible, and it is against the long-term interests of trade and industry that import licensing policy should be conceived in different sectors of the Secretariat, designed in parts and not as a whole and subjected to varying licensing procedures. We heard a good deal of criticism against the present steel licensing policy, and one of the important points made by the critics was that it should be brought in line with the general licensing policy of Government. We are aware of the existing distributional control over steel and the Steel Price Pool. *Prima facie*, the present procedure for the licensing of controlled items in Part I of the I.T.C. Schedule has been largely determined by the requirements of Steel Control. Nevertheless, we were not satisfied that some features of the present steel licensing policy, e.g., the issue of licences not for six-monthly periods from the date of issue but for the six-months of the calendar year, or the present practice of calling for public tenders before the issue of import licences were justified and necessary. We refrain from going into further details, but recommend that the licensing of imports of the controlled categories of iron and steel and of machine tools be transferred to the Ministry of Commerce as soon as the necessary administrative arrangements have been completed. This does not imply that the C.C.I. should be deprived of the services of the present expert staff employed in Steel Control or in the Machine Tools Directorate. Nor does it follow that the Ministry of I. & S., as the sponsoring Ministry, would not continue to have its say in matters of policy. All that our recommendation implies is that, after policy issues have

been settled at inter-Ministry meetings, at which, the I. & S. Ministry will necessarily have a pre-dominant voice, licensing work should be left to the appropriate licensing authority in the Ministry of Commerce.

67. In our scheme of reorganisation, we visualise that the C.C.I. will be called upon to perform the following principal functions:-

- (a) the formulation of general licensing policy
- (b) the formulation of licensing instructions for particular commodities in consultation with the trade panels and the inter-Ministry meetings;
- (c) licensing of the categories of goods specified in para.63(1) *ante*;
- (d) supervision of Port offices, with particular reference to the work of the *enquiry and complaints sections* in these offices;
- (e) the hearing of appeals from decisions of Import Controllers at the Ports and at the head office;
- (f) continuous review of the working of licensing, in its effects on trade and industry, with a view to such revision of policy or licensing instructions as may be found to be necessary in the next licensing period.

68. From this point of view the C.C.I.'s office should contain the following principal divisions:-

- (A) *A reorganised Central Registry Office*, which should ensure the acknowledgment of receipts and the despatch of papers to the principal operative divisions in the course of two or three days at the outside.
- (B) *A reconstituted Licensing Division*, which should consist of licensing groups for the following classes of application -
 - (i) Capital Goods;
 - (ii) Heavy Electrical Plant;

- (iii) Private indents on Government or quasi-Government account;
- (iv) Government imports, e.g., Railway Stores;
- (v) Special private imports, e.g., fertilisers, motor parts, etc. which are licensable at the Centre.

Wherever the volume of work justifies it, the licensing groups for particular commodities should be divided into sub-groups for established importers, actual users and new-comers.

- (c) A reorganised and adequately staffed and equipped *Statistical Division*, which must work in the closest contact and cooperation with the customs authorities and also with the statistical sections in the Port offices. The best method of coordination among these different authorities will have to be worked out in detail and their respective functions clearly demarcated. The absence of a competent statistical division is one of the most serious administrative lacunae in the present import control organisation.

We consider that it should be the duty of the reconstituted Statistical Division to compile and analyse statistics relating *inter alia* to:-

- (i) the number of applications received - commodity-wise as well as under the different heads of actual users, established importers and new-comers;
- (ii) the progress of licensing work under the above heads;
- (iii) the issue of licences under the above heads;
- (iv) the imports made against the licences issued;
- (v) the imports made against O.G.L.'s.

On the basis of these statistical investigations, this division should prepare at the end of every year, and before the formulation of licensing policy for the following period is taken in hand -

- (a) a statistiaal review of the working of import policy for the outgoing year, and
 - (b) "trend studies" in respect of particular groups of commodities, so that the results of these studies may be available to the C.C.I. for fixing exchange allocations and commodity quotas among the interests concerned in the next licensing period.
- (D) A strong *Enquiry-cum-Complaints Division* at headquarters, supported by similar sections at the Port offices.

We attach great importance to this organisation, for it will not only perform "public relations" functions on behalf of the import control administration but will also intimately affect the character of the administration by the manner in which it discharges its responsibilities.

The functions of the *Enquiry-cum-Complaints Sections* at the Ports should be

- (i) to receive enquiries and ascertain the facts from the Central Registry office of the Licensing Section concerned. Arrangements will have to be made for answering both oral and written enquiries and when parties appear in person, they should be given a firm date by which they can expect a reply to their enquiry;
- (ii) to record complaints and to enquire into them;
- (iii) to dispose of complaints and to inform the parties concerned. If the orders of any superior authority are needed, it should be the duty of this Section to obtain them and to communicate the decision to the complainants. Where a reference to headquarters is necessary, an *interim* reply should be sent to the parties, and in no case should the final decision be withheld for a period exceeding a month;

- (iv) to *progress* the disposal of cases in which complaints of delay have taken place and have been proved;
- (v) to grant interviews to visitors and to arrange interviews with higher officers, if necessary.

In order that these sections can function effectively, it is necessary that they should be placed in charge of senior Controllers and his officers, not below the rank of Superintendent, who should have direct access to the licensing groups and to the records of cases disposed of, whether they are in the licensing sections or in the record room. As far as possible, the staff of this section should be manned by members of the permanent services.

Routine complaints about delays, loss of documents, etc. should be disposed of by the Import Trade Controllers at the Ports on the basis of investigations carried out by the Enquiry-cum-Complaints Section. Appeal against their decision in other cases should go to the C.C.I. Relieved of the burden of licensing work, the C.C.I. should be able to attend to these complaints more freely than he can do now.

The Enquiry-cum-Complaints Division at the C.C.I.'s office should be similarly placed in charge of a Deputy Chief Controller of Imports. Its functions should be similar to those of its Port counterparts but should, in addition, comprise the following:-

- (i) the handling of references received from its Port-counterparts - regarding enquiries and complaints made at the Ports;
- (ii) the handling of appeals to the C.C.I. against the decisions of Import Controllers;
- (iii) the preparation of case studies relating to complaints, when the C.C.I. proceeds on periodical inspection tours of the Port offices;
- (iv) the preparation of appeal cases to be submitted to the Commerce Ministry.

We visualise that only in cases involving allegations of corruption, unfair discrimination and abuse of powers or any new points of policy that an appeal should lie to a senior officer in the Ministry of Commerce. We do not consider it necessary that he should be a whole-time officer for this purpose, but it is essential that he should be an officer of a rank higher than that of a Joint Secretary. He should be specially designated to hear appeals from the C.C.I's orders. Such hearings should partake of the nature of appeals to the Central Board of Revenue against the decisions of Collectors of Customs and should be subject to the payment of substantial fees. For this purpose, the designated officer should pay occasional visits to the Ports and dispose of appeals on the spot as far as possible.

- (E) Import Control Advisory Committees at the Ports and at headquarters to advise the Import Controllers at the Ports and the C.C.I. at headquarters, as and when required on matters connected with the administration of import licensing, as distinct from licensing policy in respect of particular commodities.

69. Closely connected with these organisational changes is the problem of personnel. The defects of the existing personnel are:-

- (a) lack of technical or specialised knowledge;
- (b) the preponderance of the promoted element - i.e., the poor initial quality of the staff, who had to be promoted to fill up responsible positions in the control organisation;
- (c) the temporary status of the staff.

Our recommendations in this connection are as follows:

- (a) technical men should be appointed at the level of Controllers and Deputy Chief Controllers wherever opportunity occurs; for example, qualified civil/mechanical/electrical engineers, experienced science graduates and commercially trained and experienced persons with knowledge of chemistry or chemical engineering would be

useful acquisition as Controllers in charge of the appropriate licensing groups. It is within the knowledge of some of us that such men are available;

- (b) the top positions - upto the stage of Assistant Controllers - should be filled by permanent employees or technical men who should be recruited on fairly long-term contract; for this purpose it may be necessary to give permanent status to such staff as may be required. We recommend that this point may be considered at an early date. In this connection we should like to point out that licences, after they have been prepared in the licensing sections, should be issued only over the signature of an officer of at least the rank of a Controller;
- (c) there should be a regular system of rotation of officers and supervisory ministerial staff in charge of licensing groups (*i.e.*, Superintendents or head clerks) *within the same office* every twelve months; this should be supplemented by a scheme of rotation among the Ports at every three years.

70. The problem of suitable accommodation for the type of organisation that we visualise is no less important than that of personnel. We consider that the licensing officers at headquarters and at the Ports should be provided with office accommodation not only of the right dimensions but also of the appropriate design. The licensing groups should be in a position to work in full view of the senior officers and there should be adequate accommodation for the Statistical Branch, current records in each licensing group and the Central Records Room. We regret to note that the accommodation at the disposal of the Port offices, except in Calcutta where some improvement has taken place very recently, is cramped, ill-designed and ill-equipped for office purposes on any recognised commercial standards.

SECTION B - ADMINISTRATIVE PROCEDURE - HANDLING & DISPOSAL OF APPLICATIONS

71. We do not propose to go into details of administrative procedure, for practical reforms can be effectively carried out only in the light of long experience by officers fully conversant with the minutiae of import control administration. Our recommendations on this subject should, therefore, be regarded as a broad indication of the principal directions in which in our view some changes in current administrative methods and practice are urgently required, and are based on numerous suggestions on this subject received in the course of our enquiry.

72. (i) We suggest that application forms, and if possible also envelopes, should be printed in different colours for different categories of importers and the envelopes should be boldly marked "Actual Users", "Established Importers" or "New-comers" as the case may be. Supplies of the forms and envelopes should be made available in all licensing offices at cost price, but intending importers should be free to use their own forms provided they conform to the colour and other specifications that may be prescribed.

(ii) There was widespread demand for simplification of application forms, and it was argued that the licensing authorities now ask for information, which is likely to be of little use to them for the issue of licences, and of which in practice, little or no use was made by them. As far as we could ascertain, this complaint is substantially correct. At present, the licensing regulations provide for three standardized application forms:

- (a) Appendix 'G' (of the Red Book 1950) for established importers, actual users and new-comers - made in two colours, viz. 'white' for established importers and new-comers and 'yellow' for actual users.
- (b) Appendix 'H' (of the Red Book 1950) for bulk licences in terms of paragraph 46 of the 'Red Book'.
- (c) Appendix 'J' (of the Red Book 1950) for capital goods and heavy electrical plant.

Appendices 'G' & 'J' are, in our view, particularly capable of simplification. Thus, we doubt whether any practical purpose is served by items 8, 10, 11, 13 and 14 in Appendix 'G', some of which overlap the items in Appendix 'O', items 12 and 13 in Appendix 'H', and items 13, 20, 23 and 24 in Appendix 'J'. We suggest that the form of the application be carefully scrutinised, in the light of our recommendations in Chapter IV, by a committee consisting of the C.C.I. and the Port Controllers, assisted by a representative of the D.G.I. & S. with the object of eliminating all items from the application forms that do not serve any practical purpose in the sense that little use can be or is likely to be made of the information furnished against them.

(iii) We would also recommend that all applications should be signed by either the General Manager or the Manager (where there is no higher executive authority) of the firm concerned or by a Director duly authorised by the Board of Directors to sign them.

(iv) The application forms should contain perforated acknowledgement post cards printed on thick paper, which should be filled in by the applicants and stamped by them before they submit the applications to the appropriate licensing authorities. The cards should be duly returned to the applicants with the necessary reference numbers endorsed on them indicating the licensing groups which would be handling the applications. Before despatch they should be stamped with the seal of the Central Registry office and bear the signature of the officer in charge. The form of the acknowledgement post-card should be carefully devised and should provide for the acknowledgment not merely of applications but also of all documents received from the applicants.

73. We learnt that the different stages in the Movement of Applications. movement of applications in the licensing offices are as follows:

(a) *In the Central Registry Office*

- (i) receipt of application impressed with date stamp and duly numbered;
- (ii) sorted according to sections;
- (iii) entered in challan register;
- (iv) entered in the diary of receipts;
- (v) despatched to section concerned.

(b) *Licensing Division*

- (vi) applications received and entered in challan register;
- (vii) sorted according to serial Nos.;
- (viii) entered in Movement Register;
- (ix) sent to the dealing assistant;
- (x) scrutiny as regards -
I.V.C. Registration/Exemption No.,
Licence fee paid, Blacklisting.etc.
- (xi) scrutiny of past imports and calculation of quotas;

- (xii) submission for sanction of quota certificates;
- (xiii) preparation of licence and quota certificates;
- (xiv) resubmission of officer for signing the licence;
- (xv) despatch of licence and quota certificate.

Our recommendations on the movement procedure are as follows:-

(i) At the very first stage, i.e., in the Central Registry Office separate registers for actual users, established importers and new-comers should be opened and similar registers should be maintained also in the Licensing Division. At the end of every day the number of applications entered in the three registers should be communicated to the Statistical Section attached to Port or headquarters offices together with a covering statement showing the name of the commodity, the I.T.C. serial numbers, the name of the currency area from which imports are proposed to be made and the value of the licence.

(ii) As soon as the applications have been disposed of, two statements, one showing the number of licences issued (with I.T.C. serials), the currency area for which they have been issued and the value of the licences and the other mentioning similar particulars for applications which have been rejected should be forwarded daily to the Central Statistical office at the Ports or at headquarters as the case may be. Copies of these statements should also be sent to the *Enquiry-cum-Complaints Sections* in the Ports or at headquarters.

(iii) After the licences have been sanctioned, they should not be detained at the licensing offices

or despatched haphazardly. A programme for the delivery of licences to actual users, established importers and new-comers should be worked out as soon as possible at the beginning of each licensing period in consultation with the standing Port Advisory Committees and this programme should be announced in the daily press three or four days before the hand-out of licences starts.

(iv) At the same time, refusal intimation slips in cases where applications have been rejected should be despatched indicating briefly the reasons for refusal, as in the case of cheques on commercial banks returned without encashment.

(v) The actual work of despatching licences or refusal intimation slips may be conveniently entrusted to the *Complaints - cum - Enquiry Sections*, which would be expected to collect the licences and the refusal slips from the licensing groups, together with copies of the statements referred to in sub-para. (ii) at least two or three days before the despatching programme starts.

(vi) Immediately after the disposal of applications, the completed files should be consigned to the record section of the licensing group concerned, where they should be kept under the direct control of the officer in charge of the group for a period of six months. This officer should be made responsible for the aintenance of these records.

After six months, the records of cases disposed of should be transferred to the Central Record Room attached to every licensing office, where they should be maintained for a period of two years, after which the records may be destroyed. The officer in charge of the *Complaints - cum - Enquiry Section* would be held directly responsible for the maintenance of these records and should be placed in charge of the Central Record Room.

74. The movement and disposal of applications for licences are now seriously impeded by the delays that take place in carrying out inter-departmental consultations even after licensing instructions have issued. Such delays can be reduced only by strengthening the machinery for such consultations and expediting the procedure adopted for this purpose. We are not satisfied with the working of the present arrangements for liaison between the C.C.I. and the sponsoring Ministries and must emphasise the importance of quick and efficient liaison as an aid to expeditious disposal of licences. In particular, we recommend that —

- (i) Every sponsoring department should have an officer of about Deputy Secretary's standing as a Liaison Officer. He need not be a whole-time officer but should be ordinarily available at one or two days' notice for inter-departmental consultations, if necessary. He should be assisted by one or more senior Assistants, or even a Superintendent, depending on the volume of liaison work in a particular department. It should be the duty of the Liaison Officer to receive all references from the licensing authority and to get answers to his queries from the appropriate officer in his department within a period of not more than seven days. For this purpose the Liaison Officer must have direct access to the officer in his department or Ministry who may be concerned with the subject and be able to settle points at issue by personal discussion. The Ministries which will have to designate such Liaison Officers will be —

- (a) Industry & Supply — one in the D.G.I. & S. and the other in the Secretariat;
- (b) Health (D.G. Health Services);
- (c) Agriculture;
- (d) Food;
- (e) Works, Mines and Power;
- (f) Transport.

- (ii) A special messenger service should be maintained for the transmission of files and other communications between the licensing authority and the sponsoring departments so that the movement delays, seemingly inevitable in normal Secretariat procedure for despatch of papers, may be avoided.
- (iii) Under our proposals the need for inter-departmental consultations would be reduced to a minimum and in few cases where they are necessary will probably be confined to actual user applications. Such cases should be referred to the C.C.I., who should normally be able to obtain the views of the sponsoring ministries in course of a week. If undue delay takes place the C.C.I. should be authorised for reasons to be recorded by him in writing, to give his own interpretation on the points at issue.



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CHAPTER VI

MISCELLANEOUS RECOMMENDATIONS

75. We have endeavoured in the previous Chapters to set out our views on the policy and procedure to be followed in the administration of import control, and have also indicated in general terms the outlines of the organisation and the manner of its working that we have in mind. In this Chapter, we touch upon a few points of a miscellaneous nature which closely bear on our principal recommendations.

76. No amount of forethought or planning can provide in advance for sudden and unforeseen import requirements arising out of accidents, natural calamities or other unforeseeable stoppages in the productive process. It is, therefore, essential that the licensing instructions should provide for the issue of "emergency" import licences, where "emergency" is reasonably established. It is difficult to lay down a definition of emergency which would be proof against abuse, but we suggest the following safeguards:-

(a) Emergency
Licences.

- (a) the emergency should be such as to entail a sudden and grave deterioration in consumption or production levels or such as would place the economy of the country in jeopardy, unless immediately arrested;
- (b) it must be caused by natural calamities, accidents or other factors over which the management of the productive units have no control;
- (c) it should not have been wholly or partly induced by any act or omission on part of the management.

We should like to stipulate further that in the case of a sudden breakdown in plant or machinery, belonging to a private firm, the application for an emergent licence should be-

- (a) duly certified by a recognised Association stating the nature of the emergency; and
- (b) recommended by the local Port Advisory Committee.

In all other cases, the certificate of the Secretary to the Department of Commerce & Industry in the State Governments concerned, indicating the nature of the emergency should be necessary.

The Import Controllers at the Ports should be authorised to issue Emergency licences upto a *maximum* of Rs. 50,000/- under any one serial of the I.T.C. Schedule. All such licences should be reported to the Chief Controller of Imports *immediately* after issue with a report on the circumstances in which they were issued. Applications for emergency licenses for higher amounts should be submitted to the Chief Controller of Imports together with the certificates mentioned above.

77. Our attention has been drawn to paragraph 7 of *ad hoc* the Public Notice regarding the principles governing the issue of import licensing. licences for July-December 1950 which provides for *ad hoc* licensing in those cases where Government find it impracticable to lay down in advance any percentage of past imports on the basis of which licences can be granted to established importers, or any particular number of months' requirements which would be covered by licences issued to actual users. We had an opportunity of perusing the list of articles in respect of which *ad hoc* licensing is proposed to be undertaken in the current licensing period. The list

is a long one but we were given to understand that the amount of foreign exchange involved on this account during the last licensing period was about Rs. 1.5 crores. This sum is not large. Nevertheless, we must confess we are not satisfied with this provision, which covers such a large range of articles. We consider that immediate steps should be taken to reduce the number of articles included in the list to a minimum, and even in regard to such articles, definite principles should be laid down as to how the applications for *ad hoc* licences should be dealt with. It is our view that these residuary items finally selected for *ad hoc* licensing should be handled at the Ports instead of at the C.C.I.'s office in Delhi. If any Ministries of the Government of India are interested in some of these items and have to be consulted, their views should be obtained by the C.C.I. and communicated to the Import Controllers at the Ports. After the latter have scrutinised the applications for *ad hoc* licences, they should place them before the Import Control Advisory Committees at the Ports and obtain their advice as to the status and *bona fides* of the applicants before the issue of licences to them is considered.

There are two ways in which the number of commodities in the present list may be reduced:

- (a) In the first place, in a great many of these cases, the monetary ceilings available for such licences may be easily transferred, in whole or in part, to the exchange allocations earmarked for established importers.
- (b) In other cases, the actual users whose requirements cannot be easily assessed may be asked to apply as new-comers, and the principles which we have already laid

down regarding the disposal of new-comer applications may apply to them. Incidentally, this procedure will have the further advantage of increasing the list of articles in respect of which new-comer applications can be invited.

The point that we desire to stress is that small actual users should be encouraged to obtain their supplies of raw materials, accessories, etc. from the established trade, or if they so desire, as new-comers and should not be called upon to approach the C.C.I.'s office direct for their odd and meagre requirements. Finally, we suggest that review of the present list of articles earmarked for *ad hoc* licensing should be immediately undertaken by a committee consisting of a senior officer of the Ministry of Commerce, the C.C.I. and a representative of the Federation of Indian Chambers of Commerce & Industry. Once this initial review has been completed, the object of Government policy should be gradually to reduce this list from period to period, so as to eliminate the necessity for *ad hoc* licensing.

78. There has been dissatisfaction with the

delay in the transmission of notifications relating to these subjects to some of the Ports. Thus at Madras we received many complaints from importers about the delay in getting copies of the notification with which O.G.L.

Simultaneous
Publication
of Public
Notices, O.G.L.'s
and Licensing
Instructions.

XX was recently issued; the delay was said to be as long as fifteen days. It is clearly undesirable that importers in certain Ports of the country should have to rely on incomplete Press Notes to keep them posted with important changes in import control policy and procedure. We recommend that whatever administrative steps are needed to ensure simultaneous publication

of all important notifications relating to import control should be adopted.

79. (i) We commend the recent publication of a revised publication of a revised Handbook on Import Trade Control but would suggest that this Handbook should, in addition to all current O.G.L.'s, also contain all important Public Notices, e.g. (a) those relating to free licensing of commodities, (b) authorisation by licence-holders to others to clear and deliver their goods, etc. The Handbook should be revised every two years.

(ii) The Public Notice announcing the licensing policy for a particular period (the so-called Red Book) should be published at least six weeks before the beginning of the period so that licensing may start immediately afterwards.

Since the revised Handbook does not contain all current OGL's and the other important Public Notices to which we have referred, we suggest that the next RED BOOK should include them. Further, Appendices "A" and "B" should be recast. In the case of Appendix "A" it is not necessary to quote historical references; all that is needed is an up-to-date and complete statement explaining the nature of the Revised Scheme for the licensing of imports of capital goods. The different parts into which Appendix "B" is divided should be prominently displayed, so that there may be no difficulty in tracing a particular item. The statement will have to be considerably modified if our suggestion regarding currency blocs is accepted.

The "Red Book" should further contain all current schedules of imports and exports in respect of "trade agreement" countries and the procedure to be followed in importing commodities from these countries.

80. We consider that the Chief Controller of Test Audit Imports should undertake a test audit of Licences. of at least one per cent. of the applications for licences, which are disposed of at the Ports in order to satisfy himself that the Rules, Regulations and licensing instructions have been strictly followed both in the grant of licences and in the rejection of applications.

81. We understand that the present practice is to circulate periodically to the Publication of Lists of Licences. Chambers of Commerce lists of licences issued by the Chief Controller of Imports and the Import Trade Controllers at the Ports. It is desirable that these lists should also be sent regularly to the Secretaries to the State Governments in the Departments of Commerce and industry for circulation to the State Ministries concerned.

It has been also suggested to us that these lists should be printed and made available to the public on payment of a reasonable charge. We commend this suggestion to Government.

82. Under the scheme of decentralisation and reorganisation that we propose, we expect Interviews. that the need for interviews will greatly diminish. Nevertheless, we recognise that the importers are entitled to represent their cases personally to the licensing authorities, where they feel that their applications have not received adequate attention or where they wish to explain particular points. Interviews should, however, be strictly limited to cases which require discussion. All applications for interview should, therefore, be referred to the Enquiry and Complaints Section, in the first instance. Detailed instructions

on this subject will have to be framed by the C.C.I. after the enquiry and Complaints Sections have been reorganised in the manner indicated by us elsewhere. Applications for interviews should be simplified as much as possible and should consist of only a few essential points, e.g., name of the interviewer, nature of the business, the officer with whom the interview is sought and the reference to his previous application.

83. We received some evidence about the rigidity of the present regulations regarding the issue of customs clearance permits for personal baggage, particularly in the case of travellers from hard currency areas. We understand that CCP's are more freely issued in respect of personal baggage transported from soft currency areas. If this is so, we endorse this policy, but would recommend that in the case of personal baggage carried from hard currency areas, the permissible limit should be suitably raised. We believe that the U.K. Government is also going to liberalise its regulations on this subject, following the recent improvement in the gold and dollar reserves of the Sterling Area. * As the Reserve Bank authorities are usually consulted by the Import Trade Controllers, and CCP's are issued only on receipt of "no objection" certificate from the Bank, the present practice ensures that exchange considerations are duly taken into account. We recommend that subject to the modification we have proposed, the present system may continue and hope that the CCP's are issued without delay.

*Cf. The following extracts from a report emanating from the London Office of the "Statesman" dated 4.10.50:- "While it would be illogical, according to the "Times", to revalue sterling upwards in terms of the dollar, when all dollar expenditure is still subject to drastic control, there is a case for relaxing some of the more drastic form of control, such

We further recommend that CCP's should be issued by the Import Trade Controllers at the Ports, subject to such general instructions as the CCI may lay down. This would remove a long-felt grievance. The C.C. Imports should only be consulted in regard to import of cars from hard currency countries.

84. Many witnesses brought to our notice cases where importers in this country had been involved in loss or difficulty on account of wrong advice about import control regulations or licensing instructions circulated by Indian Trade Commissioners to the foreign suppliers. On enquiry, we understand

that this was generally due to the fact that these officers were not regularly kept informed of changes in licensing instructions of procedure. It is of the utmost importance that Indian Trade Commissioners and Consuls should be kept well-posted with the latest commercial regulations and we suggest that the Ministry of Commerce should devise effective measures to ensure this. In this connection, we would suggest that the Ministry of Commerce should take in hand the preparation of a detailed but compact 'Guide' containing all important import and export regulations for the use of Indian Trade Commissioners and Consuls in a form that will be easily understood by them.

as the varied assortment of personal rights - that of emigrants, especially to Canada, to take funds with them, the remittance of legacies and the use of sterling funds for their owners' personal expenses which every traveller across the Atlantic reports as creating difficulties and ill feeling right out of proportion to the dollars saved. There is also the case for kinder treatment of some dollar imports which have been treated 'with exceptional severity in the past - timber, newsprint and certain Canadian fruit and dairy produce are examples. Administrative relaxation is, however, different to revaluation."

Supply of
Commercial
Intelligence
Relating to
Import Trade
Control to
Indian Trade
Commissioners
Abroad.

85. Before we conclude we should like to refer to two rather difficult points about the position of certain countries with which India has entered into bilateral trade agreements. Our understanding of the legal position is that in respect of these Agreements, the only obligation on the part of the Indian Government is to issue licences to parties which may be interested in importing from the "Agreement countries" or exporting to them any or all of the commodities included in the Agreement up to the prescribed maximum limits.

It was argued earlier that the current licensing policy might in some cases prevent the full utilisation of licences, in as much as no established importer with close commercial and financial ties with the countries already in trade relations with India would have any inducement to switch over to a new source of supply and licences were not available to new-comers in the import trade. Our recommendation for the extension of licensing areas to entire currency blocs would, we hope, introduce a large measure of elasticity into the import trade and help to induce merchants to canvass the possibilities of new sources of supply, provided price, quality and delivery conditions compared favourably with those of the existing suppliers. Moreover, it is not clear to us why dealers in allied lines of trade who are entitled to new-comer licences should not feel encouraged to apply for licences for commodities listed in the trade agreement, despite Government's declared intention of issuing licences for these commodities freely. In any case, it is difficult for us to suggest any effective steps to encourage the taking up of licences by Indian importers for imports from particular countries unless such steps are taken in the case of all "Agreement countries".

Besides, we are not sure whether special measures to encourage imports from the "Agreement countries" will not savour of discrimination against the non-Agreement countries. We, however, suggest that Government may examine the subject and take such further steps as may be considered necessary.

The second point that was brought to our notice was an apparently discriminatory provision in a particular trade agreement with a foreign country. We noticed that in this Agreement a provision had been made for the import of certain pharmaceutical chemicals and drugs, and their *preparations* including under one item *tablets and ampoules*, whereas the import of these preparations as well as the tablets and ampoules was banned even from soft currency countries, presumably because they were produced by the indigenous chemical industry. We do not know the full facts of the case, but as they were represented to us, the policy does seem to indicate *prima facie* discrimination in favour of a particular country for reasons not directly related to balance of payments difficulties. We would suggest that the Ministry of Commerce should look into this matter, when the Agreement is due for revision. On a point of general policy, it is our view that in future bilateral trade agreements Government should take good care to see that they contain no provisions which may savour of discriminatory treatment in respect of prices, priorities in respect of delivery, tariff, etc. and cannot be justified on balance of payments grounds or in order to safeguard or promote some vital economic interests of the country.

CHAPTER VII

CONCLUSION

86. In the preceding chapters, we have endeavoured to indicate the main directions in which we consider there is scope for appreciable improvement in the formulation of import control policy as well as in its execution. Time did not permit us to enter into fuller details, but we trust we have dealt with most of the important issues. In our view, the fundamental problem of import control in this country is the problem of securing a maximum measure of stability, in policy and administration, and the efficient and expeditious implementation of approved policy. This implies a four-fold stability, viz.,

- (i) stability in the over-all exchange allocations available for the import trade;
- (ii) stability in general licensing policy;
- (iii) stability in the licensing policy in respect of imports of particular commodities; and
- (iv) stability in administrative methods and practices.

87. We have endeavoured to indicate in the foregoing chapters the limits within which a stable policy under the above heads can be worked out. We have purposely eschewed refinements and refrained from nicely balancing rival equities. Our aim has been essentially the pragmatic one of achieving those basic improvements in policy and administration, which, in our view, were likely to create the conditions necessary for the formulation of a reasonably coherent and stable policy in regard to imports, and a reasonably efficient administration.

In particular, we have avoided the temptation of loading import control with the burden of many desirable administrative objectives, except where such objectives were already implicit in current policy

and had been expressly provided for in the rules and regulations relating to licensing policy. We have taken the view that import control should be used essentially as a method for achieving the limited objectives which we have set out in Chapter III, and not as a technique for any far-reaching re-organisation of our import trade involving radical changes in its structure, methods and processes. Some deviations from pre-control practices are inevitable in any system of import control, but it has been our endeavour not to promote such changes with the deliberate object of replacing the existing modes and patterns by new ones in furtherance of any new economic objectives. It is our hope that our recommendations will not *further* disturb the existing balance of economic interests engaged in the import trade.

88. As regards import control administration, we
 Licensing Procedure and Administration. have taken the view that the best way to ensure honest and efficient administration would be to create conditions under which -

- (a) it is brought into close touch with informed and representative trade opinion at all operative stages in the formulation of policy and in its execution ;
- (b) licensing work is decentralised to the maximum possible extent ;
- (c) there is systematic and adequate supervision of licensing work ;
- (d) the normal business in the licensing offices is so reorganised as to render the work now entrusted to the different sections orderly and manageable ;
- (e) there is provision for the handling of enquiries and complaints at a level and in a manner, which will ensure that they are promptly attended to ;
- (f) the general public and in particular the industrial and commercial community are kept regularly informed of the decisions taken in licensing work.

We hope that Government will expedite the consideration of our recommendations and arrive at an early decision on them, so that the necessary administrative steps to give effect to them may be taken as early as possible.

We have not considered it necessary to refer particularly to administrative abuses, for it is a primary duty of administration to deal energetically with them whenever they are proved or reasonably suspected. Instead we have preferred to concentrate on organisation and methods. For, in our view, it is the laxity in them that more often than not provides the original sustenance for administrative abuses. No administrative systems are fool-proof, and few, indeed, can be made knave-proof - much less the working of a body like the Import Control Organisation, which deals daily with hundreds of applicants for import licences all over the country. It is only through constant vigilance, alike by Government officers and businessmen that the standard of administration can be improved and maintained at a high level. We have gone far in our proposals to provide for the fullest measure of cooperation between them and hope that our confidence in the value of this cooperative approach will be justified.

CHAIRMAN.

MEMBER.

NEW DELHI;

15th October, 1950.

MEMBER-SECRETARY.



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SUMMARY OF FINDINGS AND RECOMMENDATIONS



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SUMMARY OF FINDINGS & RECOMMENDATIONS

1. Chapter I is purely introductory and deals
 CHAPTER I: With administrative matters.
 Introductory.

2. Chapter II deals with the genesis of import
 CHAPTER II: trade control and growth and development
 Historical of import control policy since 1940.
 Review.

BASIC OBJECTIVES OF IMPORT CONTROL POLICY

3. The basic objectives of import control policy
 CHAPTER III: in this country should be--
 Import Control
 Policy.

- (a) to limit the aggregate imports, on Government or commercial account, to the total available foreign exchange earnings from different sources, including sterling releases;
- (b) to distribute the available foreign exchange resources in the most equitable manner among the commodities required for
 - (i) the planned development of agriculture and industry, and
 - (ii) the essential requirements of consumers;
- (c) consistently with the above, to moderate the fluctuations in the prices of particular commodities, where they may have abruptly risen much above the parity of the general level of prices on account of shortages resulting from deficiencies in supply or other causes. (Para. 33)

PREPARATION OF THE FOREIGN EXCHANGE BUDGET

4. The present estimates of foreign exchange earnings and expenditure are based on such statistical information as the appropriate Government Departments possess, and are perhaps as good as any.

We suggest that our Trade Commissioners and Consular Agents should be trained and equipped to make an intelligent forecast of the trends in the principal Indian exports to foreign countries concerned. (Para. 36)

5. At the same time we recommend that the Reserve Bank of India should undertake a systematic study of the modern technique of foreign trade forecasting and adapt it to the requirements of this country. (Para. 36)

6. Government must do all that they can to increase our invisible earnings of foreign exchange by encouraging the use of the services of-

- (a) Indian shipping in our import and export trade;
- (b) Indian banking for the transport and financing of our trade; and
- (c) Indian insurance in underwriting the risks of our foreign trade.

There are no doubt limitations to the use of the above mentioned services but within the limits of their availability, one way of encouraging the use of these services would be for the parties concerned to obtain an automatic increase in their import quotas equivalent to their whole or part value of the indigenous services used. Another suggestion for the replacement of existing c.i.f. import contracts by f.o.b. contracts deserves careful consideration in consultation with our shipping, banking and insurance companies.

We recommend that the Ministry of Finance should undertake an immediate detailed examination of this problem in consultation with the Reserve Bank and the Ministry of Commerce, in order to assess its size and the full implications of the proposed measures of encouragement and assistance.

7. At the same time we emphasise the importance of Government taking all possible steps to reduce India's expenditure of foreign exchange on Government account. (Para. 39)

OVER-ALL STABILITY IN THE FOREIGN EXCHANGE BUDGET

8. While we fully realise the circumstances in which the foreign exchange budget is framed, we feel that the utmost effort should be made to reduce the inevitable fluctuations to a minimum.

It is our view that in course of the next two years, strenuous efforts should be made to hold our commercial imports at a *minimum peace-time* level of Rs. 400/- crores. (Para. 40)

FACTORS DETERMINING PRIORITIES IN IMPORT CONTROL

9. The factors determining the priority-rating of CHAPTER IV: a particular import commodity are:
Problems of import Licensing. broadly as follows :-

- (a) the end-use of the commodity,
- (b) the time that is likely to be taken for the end-use of the commodity to be consummated, and
- (c) the domestic availability of the commodity with due regard to quantity, quality and price. (Para. 42)

IMPORT CONTROL AND PROTECTION OF
INDIGENOUS INDUSTRIES

10. It is not possible to lay down any detailed and clear-cut order of priorities for imports on an *a priori* basis; the claims for imports of our principal commodity groups will have to be examined on their merits, primarily with reference to their end-use. But the domestic availability of the commodity, in quantity, quality and at a reasonable price, will always remain an important factor in the determination of not only relative priorities but also of the quantities of the commodity that should be imported. The question, whether import restriction will have any protective effect on the indigenous industry is therefore somewhat beside the point. We

recommend that as long as the balance of payments difficulties exist the import control policy of Government should be so framed and administered as to safeguard the balance of payments position with due regard to the output, quality and the price of the indigenous products. Further, once a policy has been framed in respect of a commodity it should not be varied without similar consultations with the interests concerned.

It will assist Government in formulating their policy on this subject if the Tariff Board could undertake and complete the review of protected industries, as contemplated in the Resolution of 6th August 1948, within a short time; for these reviews would contain authoritative findings on the quantity, quality and the prices of the articles produced by our protected industries, and their potentialities for expansion.

We also recommend that while a case for protection is pending examination with the Tariff Board, there should not be any sudden change in the import policy concerning that commodity without consultation with the Tariff Board. (Para. 43)

REVISED PRIORITIES IN IMPORT CONTROL

11. We consider that the present *ad hoc* order of priorities, viz.,

- (a) Raw materials,
- (b) Capital Goods,
- (c) Essential Goods, and
- (d) Non-essential goods

on which import licensing is based requires urgent revision. The subject should be examined afresh by the Ministry of Commerce in consultation with the Ministry of I. & S., the Planning Commission and such

other authorities as may be concerned. The results of this review should then be discussed at a special meeting of the Import Advisory Council or after *ad hoc* consultations with the representatives of trade and industry. In the light of this discussion, a revised order of priorities should be finally drawn up. Our tentative conclusion is that during the next two years at any rate the order of priorities should be as follows:-

- (a) Raw materials for existing industries, including semi-manufactured raw materials.
- (b) Spare parts and accessories, for existing industries.
- (c) Machinery and equipment essential for agricultural production.
- (d) Plant and machinery for replacement or the balancing of the existing capital equipment for industries.
- (e) Consumer goods essential to the life or health of the community.
- (f) Essential consumer goods other than those mentioned in (c).
- (g) Machinery and equipment required for the expansion of existing industries or for other schemes, where the withholding of imports is likely to hold up immediate increase in production or to add to costs already incurred.
- (h) Machinery and equipment necessary for the establishment of other industries.
- (i) Non-essential goods.

This order of priorities applies as much to Government purchases from abroad as to commercial imports.
(Para. 44)

Once a qualitative order of priorities has been drawn up the determination of the relative quantitative priorities will have to be done by an inter-ministry committee itself. The monetary ceilings

thus fixed for the different commodity-groups should, however, be examined, as part of the periodical review of the working of licensing in consultation with duly constituted trade panels, which we contemplate. (Para. 46)

O.G.L. POLICY

13. In regard to the existing O.G.L.'s, we consider that they should be all continued indefinitely subject to the condition that the clearance of goods against O.G.L.'s through the customs will be permitted only after the importers have filled in a prescribed form showing certain particulars required purely for statistical purposes. [Para. 48 (i)]

14. In regard to O.G.L. XX, if Government accept our recommendation regarding its extension, we would suggest that its contents should be carefully reviewed with a view to ensuring that-

- (a) commodities available in acceptable quantity, quality and price in this country are not imported, and
- (b) all basic raw materials in short supply are included in it.

The possibility of transferring some Schedule "B" items to Schedule "A" should also be examined. [Para. 48 (i)]

15. We would further recommend that the working of the current O.G.L.'s should be reviewed immediately in consultation with the trade interests concerned, the Import Trade Controllers and the Collectors of Customs at the three main Ports before our recommendation about their indefinite continuance is given effect to. [Para. 48 (i)]

16. As long as the balance of payments difficulties last, we would recommend that Government

policy should in future, concentrate on-

- (a) the maintenance of existing O.G.L.'s,
- (b) the gradual liberalisation of imports of licensable articles with a view to their free licensing, if necessary, rather than placing them on O.G.L.'s.

It is no use placing a commodity on O.G.L. unless it can be maintained on it for some considerable time.

[Para. 48 (ii)]

AREA OF LICENCE

17. We recommend that in future licensing should be only in respect of the two currency blocs, viz., hard and soft currency countries, so that licences can be utilised for imports from any country within a currency bloc. We are advised that our commitments in respect of bilateral trade agreements would not militate against the implementation of this proposal, but if in particular cases they do, we should be well advised to go slow with some of these agreements.

18. We also recommend that licences for hard currency countries should be freely convertible into those for soft currency countries; while the conversion of the latter into the former will be permissible only according to the general licensing policy in regard to hard currency areas that may be adopted as a result of the recent Commonwealth Ministers' Conference. In special cases application for the conversion of soft currency licences into hard currency ones may be considered on merits. (Para. 49)

PERIOD OF LICENCE

19. The normal period of licensing should be on a twelve-monthly and not six-monthly basis as at present. If necessary, the twelve-monthly period of

licensing may be subject to the proviso that no more than half the amount of the licence can be spent in any half-year. We would, however, deprecate the imposition of any such limit unless this is considered essentially necessary. (Para. 50)

In regard to Capital Goods and Heavy Electrical Plant, the period of licence should continue to be for three years with only one revalidation after six months. No further revalidation should be necessary for the remainder of the three-year period. (Para. 50)

The twelve-monthly period of licensing should come into force with effect from 1st January 1951, if possible, but in no case later than 1st July 1951. (Para. 50)

DISTRIBUTION OF LICENCES

20. We endorse the existing policy on this subject, i.e., the distribution of licences according to current principles among-

- (a) Actual Users,
- (b) Established Importers, and
- (c) New-comers.

We would, however, recommend that no new-comers should in future qualify for the category of established importers for a period of at least two years with effect from January 1951, when the position in this respect would be reviewed. (Para. 51)

21. *Actual Users* : We endorse the current policy about granting licences to actual users to the extent of 100 p.c. of their requirements, but would recommend that they must submit a return to the D.G.I. & S. with a copy to the State Directors of Industries showing the commodities imported by them against their licences every six months. It should be the duty of the D.G.I. & S. and/or the State Directors of Industries to carry out a test audit of these returns on

a random sampling basis and to report the result to the C.C.I. with their recommendation at the earliest possible date. (Para. 52)

22. Actual users should be free to take advantage of the services of established importers to import the goods covered by their licences. (Para. 53)

23. We recommend a liberal extension of the facilities regarding the issue of bulk licences. In the case of those organised industries which are under the control and supervision of well-established and effective Associations, licences should be issued to the Associations in preference to the individual firms. (Para. 54)

24. *Established Importers* : In future, the basic period for established importer should be the period from 1st January 1945 to 31st December 1950. (Para. 56)

25. As in the case of actual users, established importers should be given the facility of consolidated licences, but in their case the concession should not include the right to transfer the quota allotted for one commodity to another commodity included in the consolidated licence, unless commodities fall under one serial of the I.T.C. Schedule. (Para. 57)

The minimum amount for which a licence should be issued to an established importer should be Rs.1000. (Para. 57)

26. *New-comers* : We endorse the current policy of Government relating to new-comers subject to certain modifications. The list of items for which new-comers are eligible in future licensing periods should be kept stable. If the monthly ceiling providing for these items is large enough to accommodate actual users and established importers up to 100% of their requirements, any excess over this percentage should be shared between established importers and new-comers. (Para. 58)

27. The existing requirement about bank certificates in proof of new-comer applicants' turn-over figures should be replaced by auditor's certificates. The income-tax limit in the case of new-comers should be reduced to Rs. 250/- per annum.

Allotment of quotas to new-comers should be based, not on the amount of income-tax paid or the income-tax equivalent of the turnover figures as certified by banks, but on the applicants' turnover figures relating to the particular or allied line of domestic trade, in respect of which they apply for import licences. (Para. 59)

28. The maximum and minimum limits for which a licence may be granted to a new-comer should be fixed at Rs. 25,000/- and Rs. 1,000/- respectively for articles falling under one serial of the I.T.C. Schedule. (Para. 59)

LICENSING INSTRUCTIONS FOR PARTICULAR COMMODITIES

29. Among the serious defects of our licensing policy are -

- (i) the delay in the issue of licensing instructions for commodities;
- (ii) the frequent changes in such instructions even during the licensing period. (Para. 60)

30. In our view licensing instructions should issue simultaneously with the Public Notice detailing the licensing policy for the following year. (Para. 61)

31. We would deprecate changes in licensing instructions for particular commodities during a licensing period except where such changes are required -

- (a) to correct gross mistakes,
- (b) to meet any unforeseen development which requires immediate attention and cannot be left over for rectification after the licensing period is over without grave damage to the country's economy.

If representations for such changes during a licensing period are received from trade and industry, they should be referred to the trade panels concerned and no change should be introduced till the next licensing period. (Para. 61)

32. The C.C.I., accompanied by suitable officers of the more important of the sponsoring Ministries, should meet duly constituted panels of the import trades and industries at the Port town and also hold consultations with the Port Import Trade Controllers and the Customs Authorities at least once a quarter.

For this purpose a large number of trade panels will have to be constituted. These panels should be small and consist of representatives of importers, local manufacturers and of general consumers. They will be concerned mainly with the licensing policy in respect of specified commodities. (Para. 62)

LICENSING PROCEDURE

33. The licensing authority for all categories of importers (*i.e.* actual users, established importers and new-comers) and for all applications for imports except the following should be the Import Trade Controllers at the Ports:

- (a) applications for Capital Goods and Heavy Electrical Plant under the Special Schemes for these commodities in force. (The scope of these special schemes should be limited to applications connected with new projects);
- (b) applications for imports against Government indents;
- (c) applications from Railways, Government Departments and quasi-public authorities;
- (d) applications for a few specialised items, *e.g.* fertilisers, tractors, motor parts, etc., which are covered by special policy decisions at the Centre.

Every effort should be made to complete the administrative arrangements needed to give effect to this change

as early as possible and not later than the 31st May, 1951 in any case. [Para. 63(i)]

34. A standing inter-ministry committee for Capital Goods and Heavy Electrical Plant licensing should be constituted for a period of one year at a time. The scope of the Capital Goods and Heavy Electrical Plant schemes should be limited to new projects. Applications for Capital Goods and Heavy Electrical Plant required for maintenance purposes will be dealt with under the ordinary procedure. [Para. 63(ii)]

35. In addition to the transfer of the bulk of licensing work to the Ports, we recommend that the procedure for the issue of licences to established importers should be simplified so as to render it as automatic as possible. The allotment of quota certificates and the liberal use of consolidated licences should enable the licensing authorities to do away, in the case of established importers, with the usual routine for the grant of licences. [Para. 63(iii)]

36. As regards new-comer licences we have already recommended that they should be disposed of at the Ports. In recognition of some local feeling strongly expressed to us, we suggest that the estimated monetary ceiling likely to be available for new-comer importers for these items, for which new-comer applications would be invited, should be allocated among the three regions mentioned in Appendix 'Q' of the Public Notice No. 13.ITC(P.N)/50, dated 15th June 1950 in proportion to the total import trade passing through these three Ports.

We further recommend that all new-comer applications *prima facie* qualifying for licences, should be screened by the Port Import Control Advisory Committees (the constitution of which we recommend elsewhere) with particular reference to the requirement that new-comers should be dealers in the line of goods which they seek to import. [Para. 63(iv)]

37. We recommend that the revalidation of Capital Goods and Heavy Electrical Plant licences already issued should be granted within a week and that the Import Trade Controllers should be authorised to grant revalidation. [Para. 63(v-a)]

It is our view that no amendment of a licence once granted should be permitted unless it has been examined by an officer immediately superior to the officer who issued the licence and all applications for amendment of licences already issued should be disposed of in the course of a week. [Para. 63(v-a)]

38. Import Control Advisory Committees should be established at the Ports to assist the local Import Trade Controllers. These Committees will be Standing Committees at the Ports, which will probably meet as and when required and advise the Import Trade Controllers in regard to details of licensing. They will be generally representative of the principal Chambers of Commerce. [Para. 63(vi)]

HANDLING AND CLEARANCE OF IMPORTS AT THE PORTS

39. We recommend that the G.C.I. should discuss with the Collectors of Customs all outstanding issues bearing on the procedure for handling and clearing of cargoes through the customs, so that final decision on them may be taken without delay. (Para. 64)

40. On some specific issues relating to Customs procedure, our recommendations are as follows:

- (i) We consider that licensees should have the right to import goods at whichever Port they may choose, either in whole or in part consignments, although they may not have declared their intention of doing so in their application for licences. [Para. 64(i)]
- (ii) In regard to delays arising out of discrepancies in the description for goods as between the ITC and the Customs Tariff Schedules, we recommend --

- (a) As a short-term measure, the importers should record on their applications the detailed description of the articles that they propose to import, and that the import licences should so far as possible repeat this description. It will then be for the Customs authorities to determine the items in the Customs Tariff Schedule under which the articles fall. If doubts as to the actual clarification of the goods still exist they should be resolved by personal discussion between the Collectors of Customs and the Import Trade Controllers.
- (b) As a long-term measure, a detailed scrutiny of the present ITC Schedule which is long over-due should be undertaken at the earliest possible opportunity, with a view to bringing it as closely as possible into line with the Indian Customs Tariff Schedule. A Special Officer, possessing knowledge of both import trade control and customs procedure should be appointed for this purpose. [Para. 64(ii)]
- (iii) We recommend that the existing instructions about the import of goods in replacement of damaged parts should be so modified as to bring them in line with the normal customs procedure. [Para. 64(iii)]
- (iv) In regard to excess imports, we recommend that the Collectors should be given the powers, at their discretion to condone them, in *bona fide* cases upto a maximum of Rs. 1,000/-. As for excess imports valued at over Rs. 1,000/- the cases should be referred for decisions to a Standing Committee at every Port, consisting of the Collector of Customs and the Import Trade Controller. Some general instructions for the guidance of the Committees are all that is needed. [Para. 64(iv)]
- (v) We consider that the procedure for the imposition of penalties for breaches of import control regulations and the scale of penalties require early revision. [Para. 64(v)]
- (vi) In future, no imports whether under OGL's or

licences should be cleared until the importers have filled up a G.R. or any other prescribed form (as in the case of exports).
[Para. 64(vi)]

CENTRALISATION OF LICENSING WORK

41. It is our view that, in order to make licensing policy as uniform as possible, licensing work should be centralised under the Ministry of Commerce. To that end, we recommend that Iron and Steel licensing be transferred to the Ministry of Commerce as soon as the necessary administrative arrangements have been completed.
(Para. 66)

FUNCTIONS OF THE C.C.I.

42. We suggest that the principal functions of the C.C.I. in future should be as follows:

- (a) the formulation of general licensing policy;
- (b) the formulation of licensing instructions for particular commodities in consultation with Trade Panels and the inter-ministry meetings;
- (c) licensing of the categories of goods specified in paragraph 53(1) *ante*;
- (d) supervision of Port offices, with particular reference to the work of the Enquiry and Complaints Sections in these offices;
- (e) the hearing of appeals from decisions of Import Controllers at the Ports and at the head office;
- (f) continuous review of the working of licences, in its effects on trade and industry, with a view to such revision of policy or licensing instructions as may be found to be necessary in the next licensing period. (Para. 67)

REORGANISATION OF THE C.C.I.'s OFFICE

43. The C.C.I.'s office should contain the following principal Divisions:-

- (A) a reorganised *Central Registry Office*, which should ensure the acknowledgment of receipts

and despatch of papers to the principal operative divisions in course of two or three days at the outside;

- (B) a reconstituted *Licensing Division* consisting of five main Licensing Groups which should be divided into sub-groups for established importers, actual users, and new-comers, wherever the volume of work justifies it;
- (C) strong *Statistical Organisations* at the Ports and in the CCI's office at headquarters, which should compile and analyse the relevant statistical data, and undertake "trend" studies so that they may be used for fixing exchange allocation and commodity quotas among the interests concerned in the next licensing period;
- (D) a strong *Enquiry-cum-Complaints Division* in the import control offices at the Ports and at the CCI's office in charge of the senior Controllers to dispose of routine complaints about delays and loss of documents, etc.; appeal against their decisions in other cases should go to the C.C.I.

It is only in cases which involve allegation of discrimination, abuse of powers, corruption or points of policy that an appeal should be to a senior officer of the Ministry of Commerce, who should be at least of a Secretary or Additional Secretary's rank, and should be specially designated for this purpose. Complaints to this officer should, however, partake of the nature of appeals to the CBR against the decisions of Collectors of Customs and should be subject to the payment of substantial fees;

- (E) Import Control Advisory Committees at the Ports and at headquarters to advise the Import Controllers at the Ports and the CCI at headquarters, as and when required, on matters connected with the administration of import licensing, as distinct from licensing policy in respect of particular commodities.
- (Para. 68)

PERSONNEL

- 44. (A) Technical men should be appointed at the level of Controllers and Deputy Chief Controllers, wherever opportunity occurs.

- (B) The top positions - upto the stage of Assistant Controllers - should be filled by permanent employees or technical men who should be recruited on fairly long-term contract; for this purpose it may be necessary to give permanent status to such staff as may be required. We recommend that this point may be considered at an early date.
- (C) There should be a regular system of rotation of officers and supervisory ministerial staff in charge of licensing groups (*i.e.*, Superintendents or Head Clerks) *within the same office* every twelve months; this should be supplemented by a scheme of rotation among the Ports every three years. (Para. 69)

ACCOMMODATION

45. The licensing officers at headquarters and at the Ports should be provided with office accommodation not only of the right dimensions but also of appropriate design. The licensing groups should be in a position to work in full view of the senior officers and there should be adequate accommodation for the Statistical Branch, current records in each licensing group and the Central Records Room. We regret to note that the accommodation at the disposal of Port offices except Calcutta, where some improvement has taken place only very recently, is cramped, ill-designed and inadequate by any respectable commercial standards. (Para. 70)

APPLICATION FORMS

46. (i) Application forms, and if possible also envelopes, should be printed in different colours for different categories of importers and the envelopes should be boldly marked "Actual Users", "Established Importers" or "New Comers" as the case may be.

(ii) Forms for the applications should be greatly simplified.

(iii) All applications should be signed by the General Manager or the Manager (where there is no higher executive authority) of the firm concerned or by a Director duly authorised by the Board of Directors to sign them.

(iv) The application forms should contain perforated acknowledgment post-cards printed on thick paper, which should be filled in by the applicants and stamped by them before they submit the applications to the appropriate licensing authorities. The cards should be duly returned to the applicants with the necessary reference numbers endorsed on them indicating the licensing groups which would be handling the applications and documents received from the applicants. (Para. 72)

MOVEMENT OF APPLICATIONS

47. (i) Separate registers for applications of established importers, actual users and new-comers should be maintained. At the end of every day the number of applications entered in the three Registers should be communicated to the Statistical Section of the Licensing Office.

(ii) At the close of every day as soon as the applications have been disposed of, two statements, one showing the number of licences issued, the currency area and the value for which they have been issued and the other mentioning similar particulars for the rejected applications should be sent to the Statistical Office and the *Enquiry-cum-Complaints Sections* concerned.

(iii) After the licences have been sanctioned, they should not be unduly detained at the licensing offices or despatched haphazardly. A programme for the delivery of licences to actual users, established importers and new-comers should be worked out as soon as possible at the beginning of each licensing period in

consultation with the standing Port Advisory Committees and this programme should be announced in the daily press three or four days before the hand-out of licences starts.

(iv) At the same time, refusal intimations in cases where applications have been rejected should be despatched indicating briefly the reasons for refusal, as in the case of cheques on commercial banks returned without encashment.

(v) The actual work of despatching licences or refusal intimation slips may be conveniently entrusted to the *Enquiry-cum-Complaints Sections*.

(vi) Immediately after the disposal of applications, the completed files should be consigned to the Records Section of the licensing groups concerned, where they should be kept for six months, after which they should be transferred to the Central Record Room of the Licensing Office. All old records of two years' duration in the R/R should be ordinarily destroyed. (Para. 73)

LIAISON WITH OTHER MINISTRIES

48. We are not satisfied with the working of the present arrangement for liaison between the CCI and the sponsoring Ministries and must emphasise the importance of quick and efficient liaison as an aid to expeditious disposal of licences. In particular, we recommend that--

- (i) Each sponsoring Department must have an officer of about Dy. Secretary's standing as a Liaison Officer who should be ordinarily available at one or two days' notice for inter-departmental consultations, if necessary.
- (ii) A special messenger service should be maintained for the transmission of files and other communications between the Licensing Authority and the sponsoring Departments.

- (iii) In the event of undue delay on the part of the sponsoring Ministries the CCI should be authorised, for reasons to be recorded by him in writing, to give his own interpretation on the points at issue. (Para. 74)

EMERGENCY LICENCES

49. There should be provision in the licensing
CHAPTER VI: procedure for the issue of Emergency
Miscellaneous Licences.
Recommendations.

The Import Trade Controllers at the Ports should be authorised to issue such licences upto Rs. 50,000/- under any one serial of the LTC Schedule. Applications for emergency licences for higher amounts should be submitted to the CCI. (Para. 76)

AD HOC LICENCES

50. We are opposed to *ad hoc* licences for the reasons which we have explained in our report and recommend that the issue of such licences should be restricted in the manner indicated by us. (Para. 77)

SUPPLY OF INFORMATION ON IMPORT CONTROL POLICY AND PROCEDURE

51. Arrangements should be made to ensure the simultaneous publication of Public Notices and Licensing Instructions at all the Ports. (Para. 78)

52. The scope of the Handbook on Import Trade Control should be extended so that it may include all important Public Notices. It should be revised every two years. [Para. 79(i)]

53. The Public Notice announcing the licensing policy for a particular period (the so called "Red Book") should be published at least six weeks before the beginning of the period so that licensing may start immediately afterwards.

54 The "Red Book" needs revision and recasting.
[Para. 79(iii)]

TEST AUDIT OF LICENCES

55. The CCI should undertake a test audit of at least 1 p.c. of the applications for licences, which have been disposed of at the different Ports - in order to satisfy himself that the rules, regulations and licensing instructions have been strictly followed both in the grant of licences and the rejection of applications. (Para. 80)

PUBLICATION AND CIRCULATION OF LISTS OF LICENCES

56. The list of licences issued by the CCI and Import Trade Controllers at the Ports should be circulated to the State Governments in addition to the Chambers of Commerce.

We also commend to Government the suggestion regarding printing of these lists in order to make them available to the general public on payment of a small charge. (Para. 81)

INTERVIEWS

57. Interviews should be strictly limited to cases which require discussion. All interviewers should be referred to the *Enquiry-cum-Complaints Section*. Detailed instructions on this subject will have to be framed by the CCI after the *Enquiry-cum-Complaints Section* has been reorganised in the manner indicated elsewhere. The application form for interviews should be simplified as much as possible. (Para. 82)

OTHER RECOMMENDATIONS

58. The present procedure for the grant of Customs Clearance Permits for the import of personal baggage should be revised on the lines indicated by us in the Report. (Para. 83)

59. The Indian Trade Commissioners in foreign countries should be kept regularly informed of the

changes in licensing instructions or procedure so that they may be in a position to advise foreign suppliers in good time. (*Para. 84*)

60. Care should be taken to see that in Trade Agreements discriminatory provisions of facilities in favour of particular countries are not incorporated. (*Para. 85*)



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APPENDICES



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APPENDIX 'A'

MINISTRY OF COMMERCE

RESOLUTION

IMPORT TRADE CONTROL

New Delhi, the 3rd July, 1950.

No. 1(26)-I.T.C./50.- The Government of India consider that as Import Control will in all likelihood have to be continued for some time, the stage has now been reached for a review of the import control policy in general and of the working of the Import Control Organisation in particular and to devise measures to place the Organisation on a sound basis. With this end in view they have decided to constitute a Committee with the following general terms of reference:-

- (1) To enquire into the working of Import Control with reference to -
 - (a) the procedure followed in the fixation of import quotas for individual commodities;
 - (b) the procedure and methods followed in dealing with applications for import licences;
 - (c) the organisation of the existing machinery for import control;
 - (d) any other matter incidental to the working of the import control organisation; and
- (2) to make recommendations on the above subjects with a view to improving the efficiency of the Import Control Organisation in such a way that applications for licences may be promptly dealt with and disposed of and the complaints against its present working may be removed.

2. The Committee will consist of -

Chairman:

Shri G. L. Mehta, Member, Planning Commission.

Members:

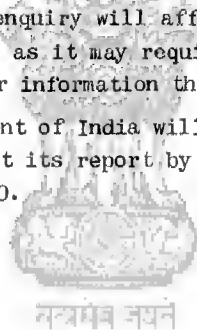
Shri Tulsidas Kilachand, President, Federation of Indian Chambers of Commerce & Industry.

Shri D. L. Mazumdar, I.C.S.

Shri D. L. Mazumdar will also act as Secretary of the Committee.

3. The headquarters of the Committee will be at New Delhi, and it shall meet as and when necessary. The Committee may visit such places as it may consider necessary for the purpose of this enquiry. The Government of India trust that Chambers of Commerce, Trade Associations, business firms and persons who are interested in the enquiry will afford the Committee all such assistance as it may require and will comply with any request for information that may be made.

4. The Government of India will appreciate if the Committee can submit its report by not later than the 15th September, 1950.



APPENDIX 'B'

No. 4(1)-ICEC/50.
GOVERNMENT OF INDIA
MINISTRY OF COMMERCE

Import Control Enquiry Committee,
Administrative Intelligence Roo
Queensway, New Delhi,
5th July 1950.

From

Shri D. L. Mazumdar, I.C.S.,
Member-Secretary,
Import Control Enquiry Committee,
New Delhi.

To

The Secretary,
Federation of Indian Chambers of Commerce
& Industry, 28, Ferozshah Road, New Delhi.

The Secretary,
Associated Chambers of Commerce of India,
2, Netaji Subhas Road, Calcutta.

The Secretary,
All-India Manufacturers' Organisation,
Industrial Assurance Building,
Churchgate Street, Fort, Bombay.

The Secretary,
Employers' Federation of India,
Elphinston Building, Churchgate Street,
Fort, Bombay.

Sir,

I am directed to draw your attention to the notification published in the *Gazette of India* (Extraordinary), dated the 3rd July 1950 regarding the constitution of a Committee to enquire into the working of import control with Shri G. L. Mehta as Chairman and to request you to be so good as to formulate your views generally on the subject and in particular on

the terms of reference of the Committee and to communicate them to the undersigned at an early date. The Committee do not propose to issue any questionnaire but may address notes or memoranda on specific points to your Chamber/Association/Organisation at a later stage, if necessary. They also propose to hold informal discussions with representatives of your Chamber/Association/Organisation in New Delhi and the Principal ports after they have made some progress with their investigation. Perhaps, these discussions will start from some time at the end of July.

As the Committee are anxious to expedite the enquiry they are not addressing your member-firms separately, but you will no doubt consult them if you so desire.

2. All correspondence relating to the Committee will be addressed to Member-Secretary, Import Control Enquiry Committee, Administrative Intelligence Room, Queensway, New Delhi.

Yours faithfully,

(Sd.) D. L. MAZUMDAR,

Member-Secretary.

Copy forwarded to:

The Secretary,

.....
.....
.....

Chief Controller of Imports, Government of India,
New Delhi.

Deputy Chief Controller of Imports, Calcutta.

Deputy Chief Controller of Imports, Bombay.

Controller of Imports, Madras.

(Sd.) D. L. MAZUMDAR,

Member-Secretary.

APPENDIX C
No. 4(1)-ICEC/50
GOVERNMENT OF INDIA
MINISTRY OF COMMERCE

Administrative Intelligence Room,
Queensway, New Delhi.
4th August, 1950.

To

The Secretary,
Federation of Indian Chambers of Commerce
& Industry, 28, Ferozshah Road, New Delhi. (20)

The Secretary,
Associated Chambers of Commerce of India,
2, Netaji Subhas Road, Calcutta. (20)

The Secretary,
All India Manufacturers Organisation,
Industrial Assn. Bldg.,
Churchgate Street, Fort, Bombay. (1)

The Secretary,
Employers Federation of India,
Elphinston Building, Churchgate, Fort, Bombay. (1)

Sir,

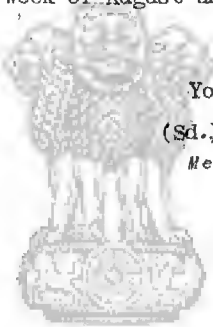
In continuation of my letter of even number dated the 5th July 1950, I have the honour to forward herewith a statement (with 20/20/1/1 spare copies/copy) divided into three parts showing the different stages in the formulation of Import Control Policy and the administration of Import Licensing. Column 1 of the statement sets out the principal stages. Column 2 is largely explanatory and seeks to elucidate the rationale of the procedure followed in the different stages where such explanation is necessary. Column 3 invites suggestions for modification or improvement in the existing procedure.

The Import Control Enquiry Committee will be grateful if you will circulate the statement to some selected member firms of your Chamber/Association/Organisation with the request that they should fill in column 3 of the statement and forward it to the Committee at a very early date and in any case not later than the 26th August 1950. The Import Control Enquiry Committee proposes to use the broad-sheets as a basis for such informal discussion as they may hold with the representatives of Chambers of Commerce and Trade Associations, etc. in Bombay, Madras and Calcutta. The Committee's itinerary has not yet been finalised but it is expected that it will visit these places between the fourth week of August and the second week of September.

Yours faithfully,

(Sd.) D. L. MAZUMDAR,

Member-Secretary.





APPENDIX C - (contd.)

STATEMENT SHOWING THE STAGES IN THE FORMULATION OF IMPORT CONTROL
POLICY AND THE ADMINISTRATION OF IMPORT LICENSING

PART I

Framing of the foreign exchange budget.

| Stages | Explanation of these stages where necessary | Suggestions for modification or improvement with a view to the simplification of procedure |
|--|---|--|
| 1 | 2 | 3 |
| <p>1. Collection by the Ministry of Finance of estimates of foreign exchange receipts and expenditure, from various Ministries.</p> <p>(i) <i>Estimates of Earnings based on:-</i></p> <p>(a) Past performance, (b) Available information about total production minus indigenous consumption of various exportable articles, (c) Sterling releases as agreed to with the U. K. authorities, (d) Past actuals or invisibles <i>i.e.</i>, tourist traffic, shipping charges, insurance etc.</p> <p>(ii) <i>Estimates of expenditure are based on:-</i></p> <p>(a) Govt. stores requirements, (b) Food requirements, (c) Expenditure on staff of Embassies and Consulates, (d) Necessary commercial imports of capital goods, raw materials and consumer goods estimated with reference to past actuals and known increases in industrial needs and indigenous production, (e) Past actuals of invisibles <i>viz.</i>, shipping, freight, insurance etc.</p> |  <p>सत्यमेव जयते</p> | |


| (1) | (2) | (3) |
|---|--|-----|
| <p>2. Comparison by Ministry of Finance of estimates of receipts with expenditure. If estimates of expenditure are more than those of receipts pruning is done in respect of both Government and commercial imports with a view to balancing the budget. For this purpose priorities are allotted to various items of commercial imports under:-</p> <ul style="list-style-type: none"> (a) Capital goods, (b) Raw materials, (c) Essential goods, (d) Luxury goods. <p>After allocating exchange for the essential requirements of Government, available foreign exchange is distributed according to the priority items of commercial imports. This is done by a Sub-Committee consisting of representatives of Ministries of Finance, Commerce, I. & S., W. M. P. and Transport.</p> | <p>The allotment of priorities and distribution of foreign exchange for various items of commercial imports involve difficult problems. There are conflicting interests and accordingly the quickest way of arriving at a reasonable decision in each case is by discussion in a small Sub-Committee. The main Ministries concerned are Finance, Commerce, I. & S., W. M. P. and Transport and these are, therefore, consulted first.</p>  | |
| <p>3. Discussion of the provisional exchange allocation as prepared by the Sub-Committee with the representatives of all the Ministries at a meeting. Such changes as are necessary are made in this meeting and the allocations are finalised.</p> <p>The Commercial import allocation is broken up for different goods according to:-</p> <ul style="list-style-type: none"> (a) Food, Drink and Tobacco. (b) Raw materials and produce and articles mainly unmanufactured. (c) Articles wholly or mainly manufactured. (d) Living animals. | <p>As already stated this break up is done after taking into account the past imports and known increases in the industrial needs of the various raw materials. The provisional break up of the allocation is circulated to all the Ministries and they scrutinise it with reference to the need of the articles with which they are concerned. Their suggestions for any increase or decrease are discussed and as the total allocation is limited any increases have to come out by decreasing allocation of articles having lower priority.</p> | |

STATEMENT SHOWING THE STAGES IN THE FORMULATION OF IMPORT CONTROL
POLICY AND THE ADMINISTRATION OF IMPORT LICENSING

PART II

Import Licensing Policy

| Stages | Explanation of these stages where necessary | Suggestions for modification or improvement with a view to the simplification of procedure |
|---|---|--|
| (1) | (2) | (3) |
| <p><i>Distribution of ceilings between different classes of importers.</i></p> <p>The final ceilings, as approved by Government are communicated to C.C. Importers who starts framing the licensing policy.</p> <p>1. The ceilings for individual items is generally divided between three classes of importers—</p> <p>(a) actual users, (b) established importers, and (c) new comers.</p> | <p>As imports have to be restricted within a monetary allocation, the only equitable way of distributing the ceiling between the various classes of importers is to divide the allocation among certain classes and then to distribute the allotment made for each class among the applicants falling under that class on the basis of a notified policy.</p> <p>During the war trade was limited to established importers. As supplies were short, it was not easy for new-comers to procure imported articles. After the war, it was felt that new blood should be introduced into the import trade and accordingly even for restricted items applications from new-comers were invited and a certain percentage of the ceiling was reserved for them. As these new-comers received licences and imported goods against them from year to year and as every new completed financial year was taken as a basic year for purposes of calculation of quotas, the quotas of the established importers become less and less every year. For the period July-December 1970, it was therefore decided that new-comers' applications should be invited only</p> | |
| <p>2. <i>Principles of distribution of ceiling.</i></p> <p>(1) Before July-December 1970 10 per cent. of all monetary allocations above a certain sum was reserved for new-comers and only the balance was divided between the established importers and actual users. In July-December 1970 it has been decided that new-comers' applications should be invited only where the ceiling is sufficient to give to both actual users and established importers their cent per cent. requirements. No new-comers' applications are invited where the ceiling is small and cannot accommodate established importers and actual users upto 100 per cent. of their consumption or past imports.</p> | | |

| (1) | (2) | (3) |
|---|--|-----|
| <p>(ii) For consumer goods, the general policy is to allow importation on a quota basis through established importers.</p> <p>(iii) In case of raw materials needed by industries the major portion of the ceiling is reserved for industrial actual users. Established importers are given a small quota to cover the needs of small actual users who do not import direct. As far as possible where the goods are not produced in India, actual users are given licences to cover 6 months' requirements of raw material and other stores, as certified by Directors of Industries of States or the Director General of Industries and Supplies, Government of India.</p> <p>(iv) Value of past licences issued to actual users and any information furnished by the D.G.I. & S. are taken into account in deciding the amount needed for actual users in respect of raw materials. The balance of the ceiling is made available for established importers. Quotas for established importers are fixed on the basis of past imports in any one completed financial year. The quota percentages are fixed in terms of "X percentages" of half of best year's imports.</p> <p>3.(a) Actual Users are given licences for goods required by them if they are licensable to cover the number of months' requirements as stated in the Public Notice.</p> | <p>in respect of those commodities where the ceiling was sufficient to meet the requirements of actual users and established importers to the fullest possible extent.</p> <p>In the case of raw materials in view of complaints from Actual Users that they had to obtain their requirements from established importers at excessive prices, it was decided that Actual Users should be entitled to import licences for 100 per cent. of their <i>bona fide</i> requirements. The Established Importers would however receive some share of the total ceiling to meet the requirements of the small Actual Users and to maintain their connection in the trade.</p>  | |

(1)

(b) The quota of Established Importers is calculated on the basis of basic imports as determined from the documents referred to in item 4 below. For example if the quota percentage is 75 per cent, and the basic imports work out to Rs. 40,000 then the quota will work out to Rs. $\frac{40,000 \times 75}{100}$ = Rs. 15,000 and licence will be issued to this extent.

(c) In the case of New-Comers, firms should have paid income tax of not less than Rs. 500 per annum. If the firm has not paid income-tax and has obtained an exemption No. the bank certificate should show that the turnover of the firm was not less than Rs. 50,000 in a year. A mathematical formula has been devised according to which all applications of New-Comers who are eligible for licences are considered and licences are given *pro rata* according to the amount of income tax paid or according to the turnover. One per cent. of the turnover is equated with Rs. 500 income tax. This is the unit used in dealing with such new-comer licences.

4. (1) The Actual Users have to submit with their applications:-

- (a) Income tax verification registration No. or the Exemption No.;
- (b) A certificate of their actual requirements given by
- (1) DGKS or the Director of Industries of the States in which the factory is situated;
- (ii) The Textile Commissioner in the case of Textile Mills; and

(2)



To discriminate between genuine actual users and other firms which want licences for imports only to sell them to other parties, it is necessary to obtain a certificate about the actual consumption etc., of the factories requiring raw materials. These certificates assist the Licensing Authorities in granting licences to the actual users and also in assessing the total demand for the licensed articles.

(3)

(iii) The Iron & Steel Controller for uncontrolled categories of iron & steel.

(c) Treasury Challan for the prescribed fee.

(2) The Established Importers have to submit with their applications-

(a) Income tax verification registration No. or Exemption No.;

(b) Documents in support of their past imports which may be one of the following-

(i) a quota certificate issued by the licensing authorities concerned;

(ii) Triplicate copies of the customs bills of entry;

(iii) Postal Duty Receipts with relevant invoices and bank drafts;

(iv) A Certificate by a Registered or Chartered Accountant certifying in the prescribed form the total c.i.f. value of past imports.

(c) Treasury Challan for the prescribed fee.

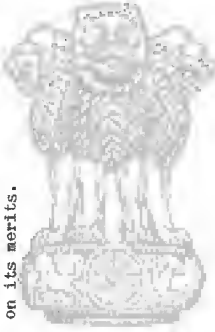
(3) The New-Comers have to submit-

(a) Income Tax Verification No. or Exemption No.;


(b) Treasury Challan for the fee;

(c) Bank certificate to show that the firm is in the line or allied line and also turnover.

The documents asked for to prove the past imports of established importers are the only positive evidence in this respect. On the basis of these documents, every importer gets his proper share in the total allocation. It may be added that where these documents cannot be produced for any reason, the question of accepting other evidence is considered on its merits.



In the case of new-comers, the bank certificate showing the lines in which the firm is a dealer - a wholesaler or a retailer - and the amount of his turnover enable the Licensing Authority to weed out those applications which have been submitted for speculative purposes. It thus enables the Licensing Authority to discriminate between one applicant and the other and also renders it possible to decide on the extent to which a licence should be issued.

| (1) | (2) | (3) |
|---|--|-----|
| <p>(4). For Income Tax Registration Nos. firms have to enter in a prescribed form the amount of income tax paid by them and get the entry certified by the Income Tax Officer of the Circle in which Income Tax has been paid. On receipt of this certificate the Licensing Authority allots a number which must be quoted on all applications. This certificate is valid for two licensing periods from the date of issue. Firms which have not paid any Income Tax are to apply for Exemption No. to the Chief Controller of Imports through the Income Tax Officer of the Circle concerned. It is only the Chief Controller of Imports who can allot Exemption Nos. provided certain conditions are satisfied. The Partners or Proprietors of firms which have not paid any income tax should make an affidavit before an Oath Commissioner to the effect that their income in India during the last five years was below the taxable limit.</p> | <p>The system of income tax registration was introduced with a view to ensuring that the persons receiving import and export licences did not evade taxes due to Govt. It was noticed that a person sometimes applied for licences in 4 or 5 different names. In the absence of a system of income-tax registration, it would not have been possible for the Income Tax authority to find out if the same person was trading in different names. The present system has enabled the Licensing Authority to ascertain the status of a firm.</p>  | |

(xvi)
STATEMENT SHOWING THE STAGES IN THE FORMULATION OF IMPORT CONTROL
POLICY AND THE ADMINISTRATION OF IMPORT LICENSING

PART III

*Mechanics of Import Licensing
(Routine followed in the disposal of applications)*

| Stages (1) | Explanation of these stages where necessary (2) | Suggestions for modification or improvement with a view to the simplification of procedure. (3) |
|---|---|--|
| <p>1. Opening, stamping, numbering, marking to "groups" and daisyring separately for each group according to the subjects dealt with in groups concerned.</p> <p>2. The diary sheet along with applications is sent down to the group concerned where it is handled by clerks and assistants who start files for each application.</p> <p>3. The applications are checked to see whether they are complete in every respect, whether the necessary particulars have been filled in and all the requisite documents have been enclosed, particularly the Income-tax Verification No. or Exemption No., the Treasury Challan, the Certificate from the O.G. I & S. or the State Director of Industries, in case of actual users; the documents necessary to prove past imports, in the case of established importers; and bank certificate showing turnover in the case of new-comers. Where an application is found wanting, it is rejected straight-away. Where all the documents are complete and the item is licensable, orders for grant of licences are passed according to the powers delegated to different officers. The junior most officer looks to the expeditious compliance of the orders and despatch of reply or licence to the applicants.</p> | <p>This procedure is necessary to keep track of the applications from the time they are received in the office.</p> <p>The details of the documents and the need for them have been set out in Part II. Delays in the final disposal of applications can be appreciably reduced if importers take some care to furnish all the information required correctly and also to submit the necessary documents in support of their statements. Where other Ministries are to be consulted, the matter is decided as far as possible by personal discussion between the officers concerned. In spite of this in certain cases the Technical Officers have to seek more information than is available in the applications. This also delays the disposal of applications.</p> | |

(1)

4. Delays occur in the disposal of applications where they are not covered by the approved policy and require special consideration or where other Ministries have to be consulted. In the case of applications for capital goods licences, there is an Inter-Ministerial Committee which meets every week or every fortnight as necessary to scrutinise them. This committee sees whether the machinery required is really essential; whether it is not already manufactured in India and whether in the case of planned industries, the import desired is in accordance with the approved plan.

In the case of heavy electrical plants required for electric supply undertakings, the applications have to be recommended by the Central Electricity Commission, while in the case of textile machinery, the advice of the Textile Commissioner or The Textile Advisory Committee No. 3 is taken.

In some cases it is often necessary to accumulate all the applications for licensing together. This is done particularly in the case of new comers' applications or where any *ad-hoc* licensing has to be done.

5. Before July 1950 a good deal of licensing work was concentrated in the Office of the Chief Controller of Imports from July/December 1950 most of the work, particularly where licences are to be granted on the basis of past imports, has been transferred to the ports. This will no doubt minimise delays.

(2)



(3)



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APPENDIX D
STATEMENT SHOWING THE WITNESSES EXAMINED AT
VARIOUS PLACES BY THE IMPORT CONTROL
ENQUIRY COMMITTEE.

DELHI

- | | |
|---------|---|
| | 1. The Punjab Chamber of Commerce. |
| 30-9-50 | 2. The Delhi Chamber of Commerce. |
| 22-9-50 | 3. The Resident Representatives' Association. |
| | 4. The Chief Controller of Imports. |

BOMBAY

- | | |
|---------|---|
| 24-8-50 | 5. The Deputy Chief Controller of Imports. |
| 25-8-50 | 6. The Bombay Chamber of Commerce. |
| | 7. The Commissioner of Income-Tax. |
| | 8. The Indian Merchants' Chamber. |
| 26-8-50 | 9. The Association of British Chemical Manufacturers. |
| 28-8-50 | 10. The Governor of the Reserve Bank of India. |
| | 11. Officers of the Exchange Control Department of the Reserve Bank of India. |
| | 12. The Collector of Customs. |
| | 13. The Director-General, Shipping. |
| | 14. The All India Importers' Association. |
| | 15. The Yarn Merchants' Association. |
| 29-8-50 | 16. The Scientific and Surgical Association. |
| | 17. Members of the Commerce Panels of the Planning Commission. |
| | 18. The Indian Chemical Manufacturers' Association. |
| | 19. The All India Manufacturers' Organisation. |
| | 20. The Chairman of the Tariff Board. |

MADRAS

- | | |
|---------|---------------------------------------|
| 30-8-50 | 21. The Collector of Customs, Madras. |
| 31-8-50 | 22. The Madras Chamber of Commerce. |
| | 23. The Andhra Chamber of Commerce. |

MADRAS - contd.

- 24. The Southern India Chamber of Commerce.
- 1-9-50 25. The Pakistan Displaced Persons' Association.
- 26. The Mysore Chamber of Commerce.
- 27. The Hindustan Chamber of Commerce.

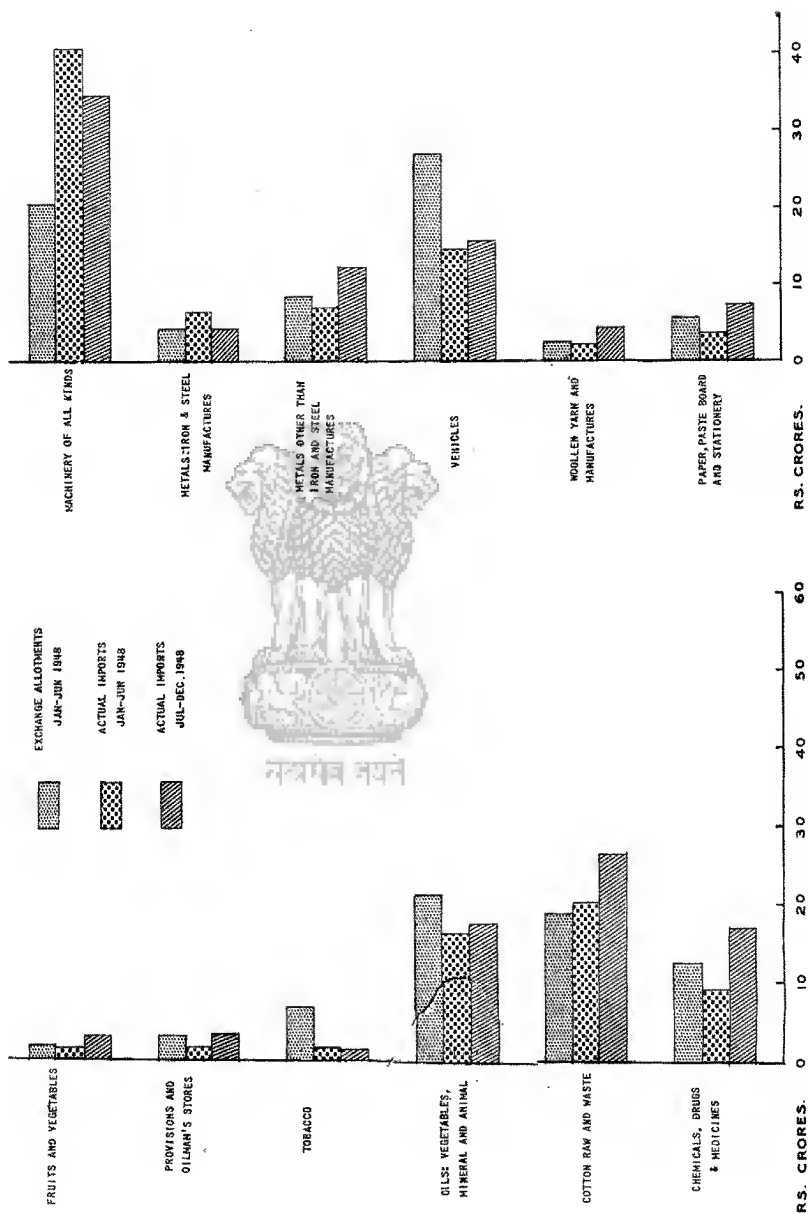
CALCUTTA

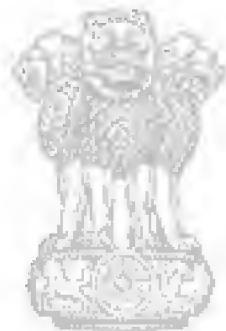
- 7-9-50 28. The Bengal National Chamber of Commerce.
- 8-9-50 29. The Bengal Chamber of Commerce.
- 30. The Indian Chamber of Commerce.
- 9-9-50 31. The Engineering Association of India.
- 32. The Deputy Chief Controller of Imports.
- 11-9-50 33. The Calcutta Trade Association.
- 34. The Federation of Traders' Association of India.
- 35. The Controller of Iron & Steel.
- 36. The Indian Jute Mills' Association.
- 37. The Bharat Chamber of Commerce.
- 38. The National Chamber of Commerce.
- 12-9-50 39. The Indian Chemical Manufacturers' Association.



FOREIGN EXCHANGE ALLOTMENTS AND ACTUAL IMPORTS OF SELECTED IMPORT ARTICLES

HALF YEAR ENDING JUN 1948

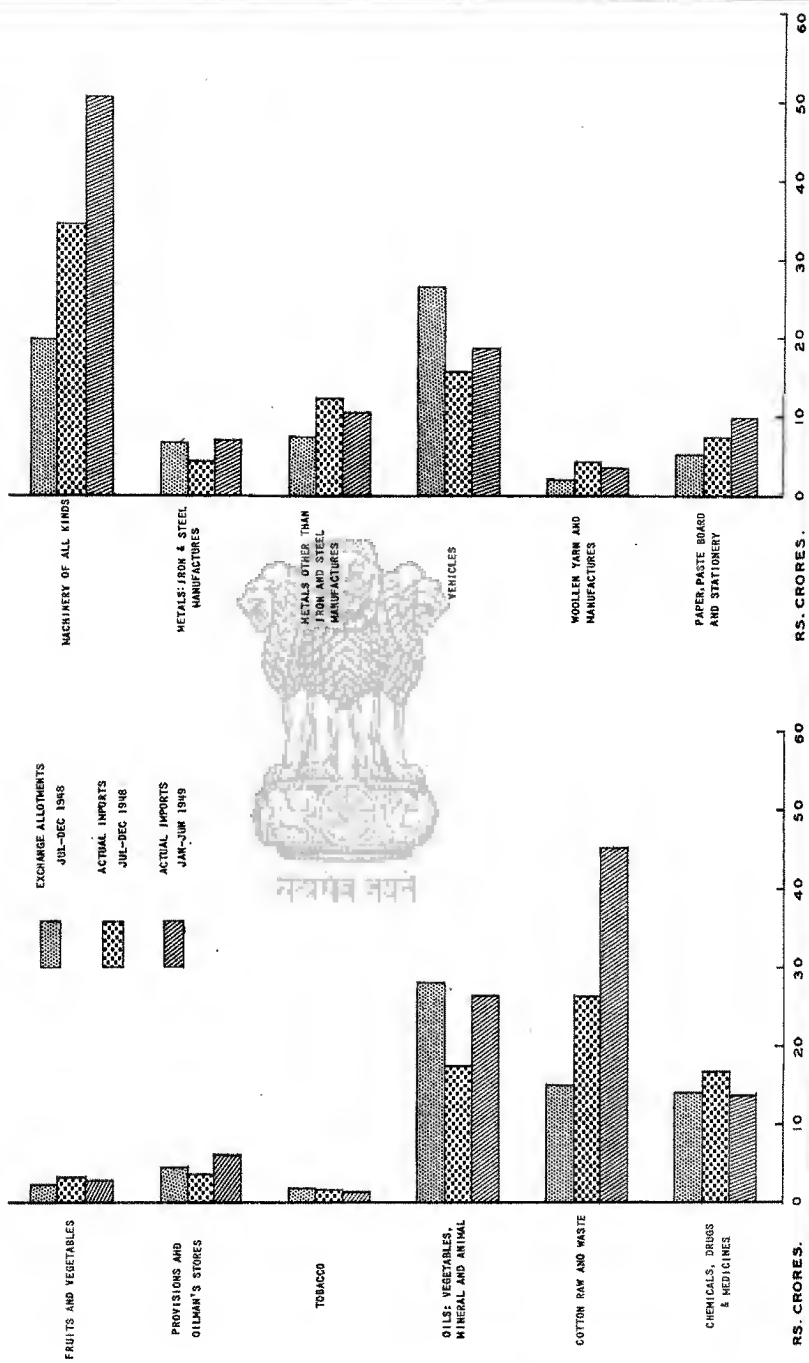




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FOREIGN EXCHANGE ALLOTMENTS AND ACTUAL IMPORTS OF SELECTED IMPORT ARTICLES

HALF YEAR ENDING DEC 1948

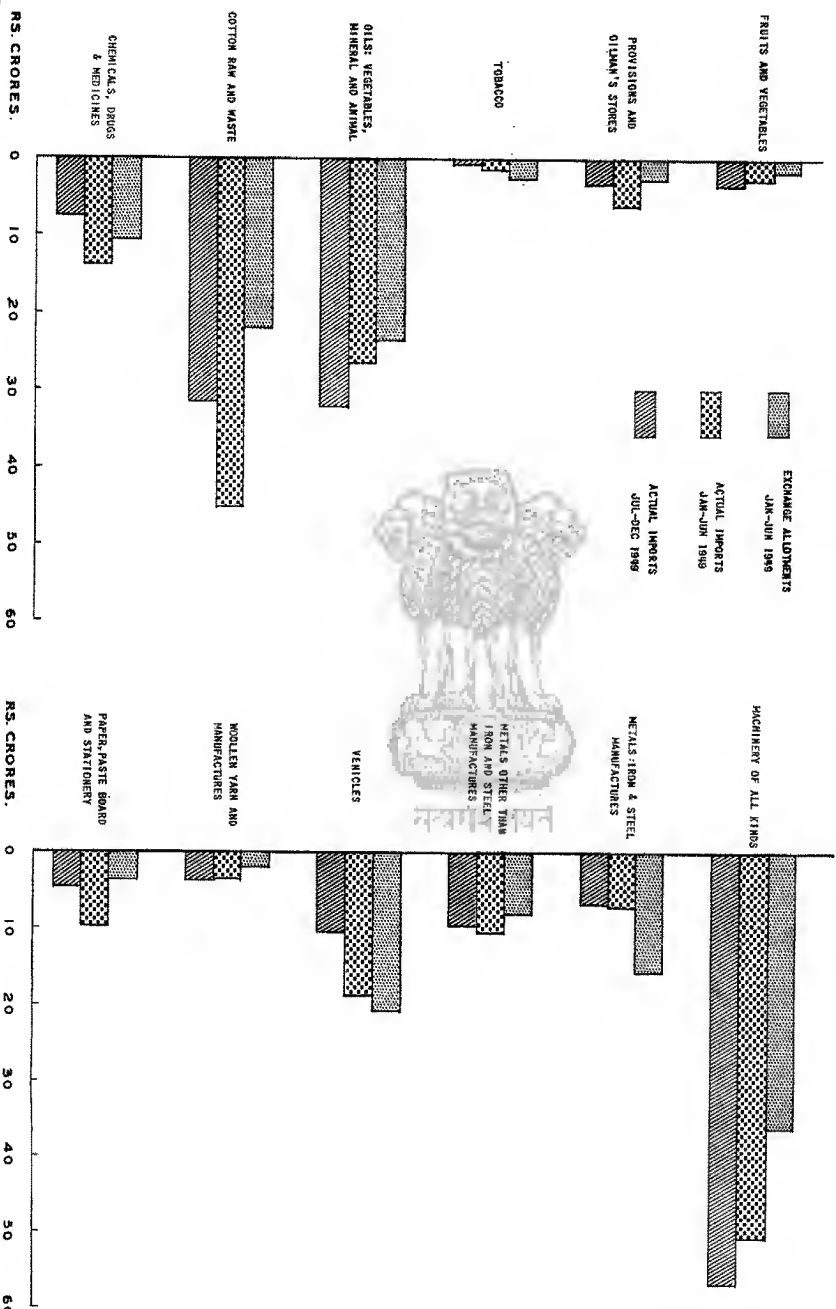


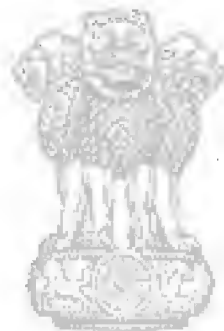


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FOREIGN EXCHANGE ALLOTMENTS AND ACTUAL IMPORTS OF SELECTED IMPORT ARTICLES

HALF YEAR ENDING JUN 1949





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FOREIGN EXCHANGE ALLOTMENTS AND ACTUAL IMPORTS OF SELECTED IMPORT ARTICLES

HALF YEAR ENDING DEC 1949

